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OUTLOOK

17th Annual Economic Outlook Seminar

WINTER 1992

THE MONTANA ECONOMY WITHIN A REGIONAL CONTEXT

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1992 Economic Outlook Seminar

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About the Bureau...

The Bureau of Business and Economic Research is the research branch of The University of Montana's School of Business Administration. Located on The University of Montana campus in Missoula, the Bureau has pursued research in business and economics for more than forty years.

The Bureau's purpose is to serve the general public, as well as business, labor, and government, by providing an understanding of the economic environment in which Montanans live and work. To meet this goal, the Bureau is regularly involved in a wide variety of activities including forecasting, state and local area economic analysis, forest products industry analysis, survey research, and data collection.

The Bureau's Economics Montana forecasting system, cosponsored by the Bureau, the Montana State Legislature, and the Office of the Governor, provides projections of income, employment, and other economic data for the state, plus forecasts of personal and nonfarm labor income for individual regions within Montana.

Information from the forecasting system is incorporated into the Bureau's regular series of Economic Outlook Seminars, presented annually in the Flathead Valley, the Butte-Anaconda area, Missoula, Billings, Great Falls, Helena, and Bozeman.

The Natural Resource Industry Research Program examines the role of the natural resource industries in Montana's economy and in local areas. Funding is provided by gifts from the Montana Wood Products Association and the Montana Petroleum Association.

Research on the forest products industry has long been an important part of Bureau operations. While emphasis is on the Montana industry, the research has also involved the forest industries of Idaho, Wyoming, Colorado, Oregon, and Arizona.

The Forest Industries Information System, produced in cooperation with the Montana Wood Products Association, provides current information on employment, wages, and production in the Montana forest industries.

The Montana Poll, a quarterly public opinion poll cosponsored by the *Great Falls Tribune*, collects information on Montanans' attitudes on a variety of economic and social issues. Other survey research projects are conducted from time to time.

Nearly all of the Bureau's research efforts are published in its flagship publication, the *Montana Business Quarterly*. For more than twenty years, the *Quarterly* has provided timely information about business, economics, public opinion, and public policy that is pertinent to Montanans and others interested in the state. Subscription details are available from the Bureau.

Bureau personnel continually respond to numerous requests for local, state, and national economic data. Don't hesitate to call on Bureau staff members if they can be of service to you.

Shannon H. Jahrig: Booklet Graphics, Design, Production, and Public Relations
Marlene Nesary: Seminar Coordinator, Booklet Editing
Jim Sylvester: Forecasting, Statistics, and Computer Graphics
Susan Selig Wallwork: Survey Research Director

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Regional Trends

The 1992 Economic Outlook Seminar

This year, the Bureau is extending its horizons. We will be looking at Montana from a broad regional context. And by region we mean not only nearby states, but also adjacent Canadian provinces. Specifically, we'll be comparing Montana's state economy with that of North and South Dakota, Minnesota, Wyoming, Colorado, Utah, Oregon, Washington, and Idaho; and with the provincial economies of Alberta, Saskatchewan, and British Columbia. The program will compare recent economic trends as well as offer insight into each area's special characteristics.

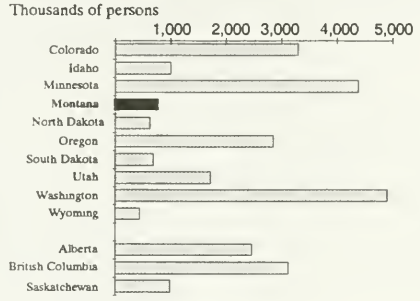
General Economic Indicators

by Paul E. Polzin

Figure 1

Population, 1990

Thousands of persons



Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Statistics Canada.

Table 1

Population, Average Annual Growth Rate

1970-1980		1980-1990	
Wyoming	3.58%		
Utah	3.29%		
Idaho	2.84%		
Colorado	2.72%		
Oregon	2.32%	Washington	1.68%
Washington	1.97%	Utah	1.62%
Montana	1.25%	Colorado	1.27%
United States	**1.10%**	**United States**	**0.94%**
Minnesota	0.69%	Oregon	0.80%
North Dakota	0.57%	Minnesota	0.72%
South Dakota	0.35%	Idaho	0.63%
		Montana	0.13%
		South Dakota	0.07%
		North Dakota	-0.28%
		Wyoming	-0.50%
Alberta	2.99%	British Columbia	1.61%
British Columbia	2.28%	Alberta	1.45%
Canada	**1.22%**	**Canada**	**1.02%**
Saskatchewan	0.19%	Saskatchewan	0.42%

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Statistics Canada.

Population

Population provides a rough measure of the size of state and provincial economies in 1990.

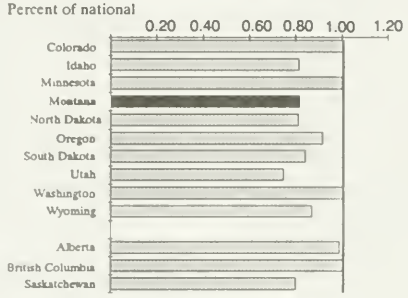
1	Washington	(4,909,000)
2	Minnesota	(4,390,000)
3	Colorado	(3,302,000)
4	British Columbia	(3,127,000)
5	Oregon	(2,861,000)
6	Alberta	(2,472,000)
7	Utah	(1,729,000)
8	Idaho	(1,011,000)
9	Saskatchewan	(1,000,000)
10	Montana	(799,000)
11	North Dakota	(696,000)
12	South Dakota	(637,000)
13	Wyoming	(452,000)

Steep deceleration characterized almost all population growth rates in the region between the 1970s and 1980s. Many states grew faster than the U.S. average in the 1970s, but in the 1980s dropped to less than the national average. This same pattern also appears in the data for general economic indicators over the same period: Growth rates decelerate and slip from above to below national averages.

1992 Economic Outlook Seminar

Figure 2

Per Capita Personal Income, 1990



Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Statistics Canada.

Per Capita Income

Per capita income measures economic well-being -- the amount of public and private goods and services that can be purchased by an "average" resident. In 1990, state and provincial per capita incomes were equal to or less than their respective national averages. Washington (102 percent) and British Columbia (102 percent) were at the high end. Utah (76 percent) and Saskatchewan (80 percent) were at the low end.

With one exception, all state and provincial per capita incomes grew faster than their respective national averages in the 1970s. Also with one exception, all dropped to less than their respective national averages in the 1980s.

Table 2

Per Capita Personal Income, Average Annual Growth Rate (Constant Dollars)

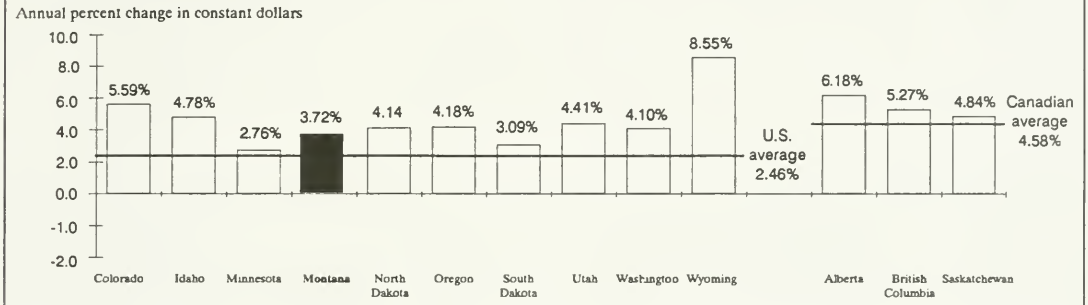
1970-1980		1980-1990	
Wyoming	3.99%		
North Dakota	3.06%		
Colorado	2.69%		
Washington	2.46%		
South Dakota	2.43%		
Oregon	2.31%		
Montana	2.28%		
Minnesota	2.23%		
Idaho	2.04%	South Dakota	2.01%
United States	**1.95%**	**United States**	**1.81%**
Utah	1.79%	Minnesota	1.69%
		Colorado	1.25%
		North Dakota	1.24%
		Idaho	1.23%
		Utah	1.11%
		Washington	1.06%
		Oregon	1.02%
		Montana	0.83%
		Wyoming	-0.90%
Saskatchewan	6.03%		
Alberta	5.47%		
Britsih Columbia	4.53%		
Canada	**4.07%**	**Canada**	**1.88%**
		Saskatchewan	1.11%
		British Columbia	0.80%
		Alberta	0.71%

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Statistics Canada.

Nonfarm Labor Income

Figure 3

Nonfarm Labor Income (U.S.) and Gross Domestic Product (Canada), Average Annual Growth Rate, 1970 - 1980



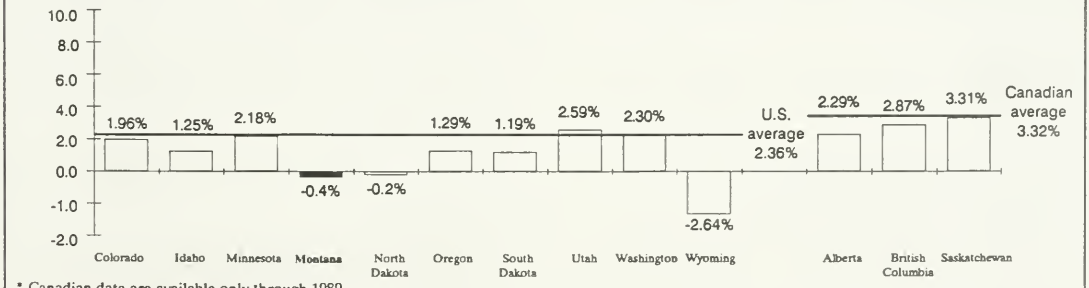
Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Alberta Bureau of Statistics; British Columbia Planning and Statistics Division; and Saskatchewan Bureau of Statistics.

Change in nonfarm labor income is a proxy for Canada's Gross Domestic Product (GDP), which is not available for U.S. states. Both measures indicate overall economic performance.

The 1970s data for nonfarm labor income and Gross Domestic Product show relatively rapid growth. All states and provinces increased faster than their respective national average.

Figure 4

Nonfarm Labor Income (U.S.) and Gross Domestic Product (Canada)* Average Annual Growth Rate, 1980 - 1990



* Canadian data are available only through 1989

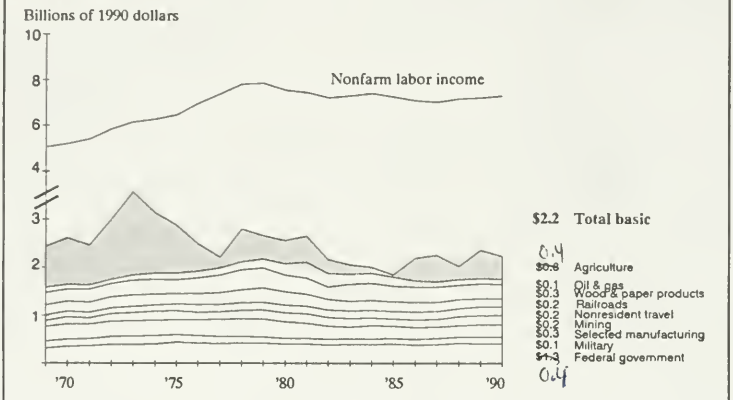
Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Alberta Bureau of Statistics; British Columbia Planning and Statistics Division; and Saskatchewan Bureau of Statistics.

Economic deceleration is obvious in the 1980s. States and provinces experienced slower growth between 1980 and 1990. In Montana, nonfarm labor income declined an average of 0.4 percent per year between 1980 and 1990. This does not mean decreases occurred each year -- as we'll see later there were slow growth years late in the decade. But it does mean that Montana's economy as measured by nonfarm labor income was smaller in 1990 than it was in 1980. North Dakota and Wyoming also experienced overall declines between 1980 and 1990.

Montana

Figure 5

Nonfarm Labor Income & Labor Income in Basic Industries, Montana, 1969-1990



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Montana's economic trends are clearly portrayed in nonfarm labor income.

The 1970s:

- rapid economic growth moderated only by slight decelerations during the national recessions of 1969-70 and 1974-1975.

The 1980s:

- overall declines with short periods of stability or modest increases.

1979 - 82: precipitous decreases. Nonfarm labor income dropped by 10 percent.
1983 - 84: stability to slight growth.
1985 - 87: renewed declines, but not so dramatic as early 1980s.
1988 - 90: very slow growth. The "fragile recovery."

The basic industries explain trends in nonfarm labor income.

In the 1970s, Montanans expected an economic boom caused by growth in coal mining. But the "coal boom" never materialized. Instead, traditional basic industries grew: agriculture had three of its best back-to-back years in history; the wood products and paper products industry expanded significantly; and other manufacturing also increased.

Between 1979 and 1982, the worst postwar recession in the United States combined with permanent shutdowns of major facilities, such as the Milwaukee Railroad and smelters in Anaconda and Great Falls, to cause widespread decline among nearly all Montana's nonfarm basic industries. Oil and gas exploration constituted the state's "energy boom" which peaked in 1981 and helped moderate declines in other industries for the year.

During 1983 and 1984, a strong recovery in wood products and other industries was counterbalanced by declines in oil and gas exploration.

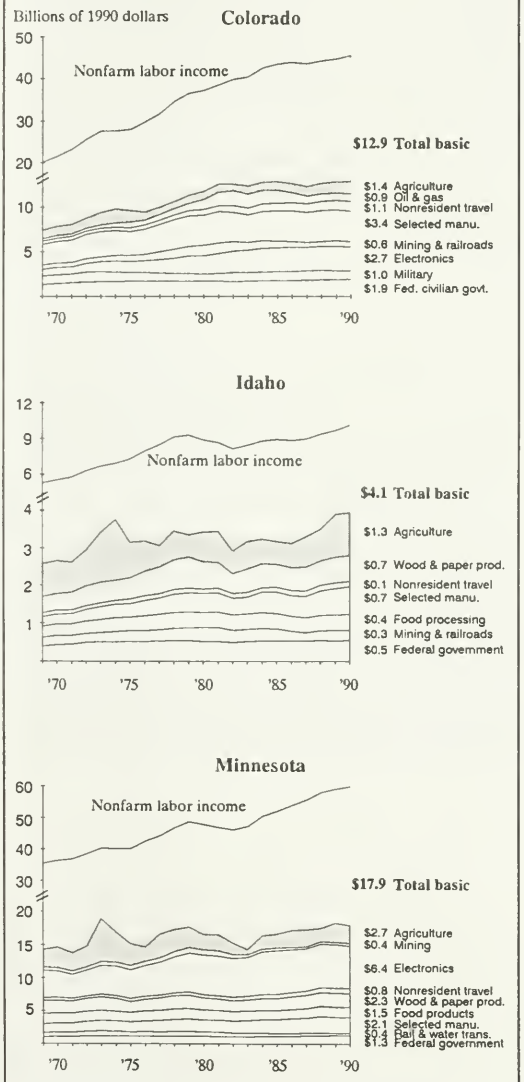
From 1985 to 1987, most nonfarm basic industries remained stable. However, both railroad activity and oil and gas exploration declined--leading to modest decreases in nonfarm basic industry totals.

Significant increases in nonfuels mineral mining and nonresident travel, accompanied by modest growth in other manufacturing and the military characterized the years 1988 to 1990.

Nearby U.S. States

Figures 6, 7 & 8

Nonfarm Labor Income & Labor Income in Selected Basic Industries, 1969-1990



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Nonfarm Labor Income

For the surrounding states, the 1970s was a period of almost uninterrupted growth. In the 1980s, however, the states experienced sizable declines and stability; economic growth -- when and where it occurred -- generally was at slower rates.

Common economic trends of the 1980s:

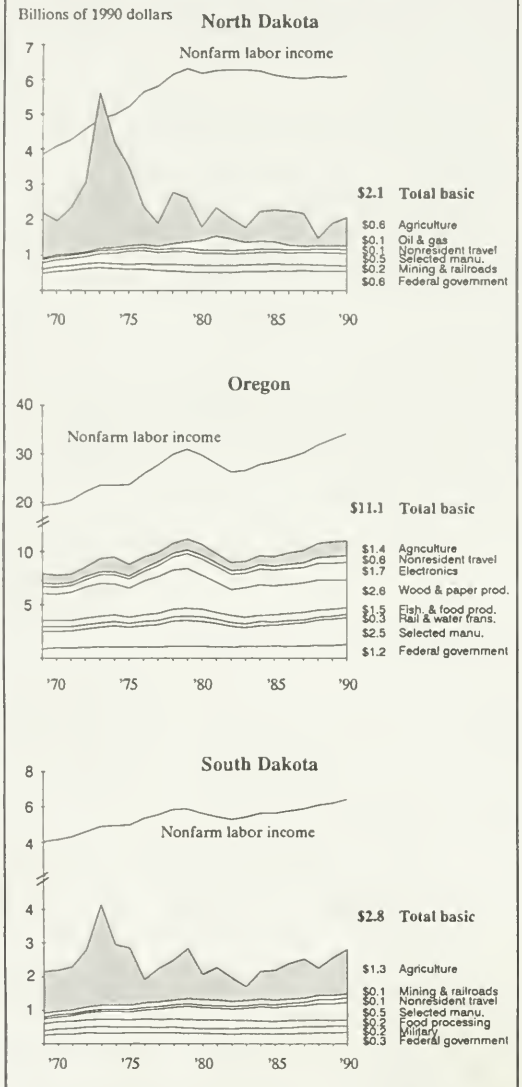
- With the exception of Utah and Colorado, all surrounding states experienced significant declines during the 1979-82 recession.
- After the 1982 nadir, Colorado, Utah, Oregon, Washington, and Minnesota renewed their rapid growth.
- Idaho and South Dakota also renewed their growth, but at lower rates.
- North Dakota's economy stabilized.
- Wyoming experienced significant declines.

Basic Industries

Nonfarm basic industries again explain most economic trends in these states. Generally, nonfarm basic labor income grew rapidly in the 1970s, declined in 1979-82, and then renewed its growth through the 1980s. Moreover, almost all significant turning points in the basic industries are reflected in nonfarm labor income.

Figures 9, 10 & 11

Nonfarm Labor Income & Labor Income in Selected Basic Industries, 1969-1990



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

However, each blip and squiggle in nonfarm labor income is not necessarily explained by basic industries. Patterns in nonfarm labor income can diverge from basic industry patterns in certain states for certain periods. Here's why:

Relationships between basic and derivative industries are subtle and complex. There may be time lags, for example, between the activity in one sector and its effect on another.

Sometimes nonfarm labor income grows much faster than the labor income for a selection of basic industries. This pattern occurred in Utah in the late 1970s, for example, and in Colorado in the early 1980s.

All of a state's basic industries may not be identified in the graphs. No attempt was made, for example, to account for major metropolitan areas' stature as centers of national and international commerce. For the sake of comparison we looked at the same basic industries for each state, and these may be relatively more or less important in a given state economy.

State Highlights

Colorado: The data reflect a late 1980s growth spurt in nonfarm labor income; yet nonfarm basic industries declined during this period. This apparent anomaly may be due to basic activities in Denver and other major metropolitan areas which are not identified in this data set. Diversified manufacturing was the major cause of growth in the 1970s, while oil and gas increased in the 1980s.

Idaho: In the late 1980s growth was fueled by expansion of manufacturing, much of it located in the Boise area.

Minnesota: Twin Cities area basic activities not identified in this data may account for the divergence between nonfarm and basic industries labor incomes in the late 1980s. Much of the electronics industry is located near Minneapolis-St Paul.

North Dakota: This economy was most similar to Montana in terms of overall trends in the 1970s and 1980s. Good farm years in the early 1970s and the oil boom-and-bust are clearly visible in basic industry data.

Oregon: The wood and paper products industry's cyclic impact shows clearly in the data.

South Dakota: Increases in the late 1980s are due to manufacturing growth. Relocation of national financial processing centers are not identified in the basic industry data.

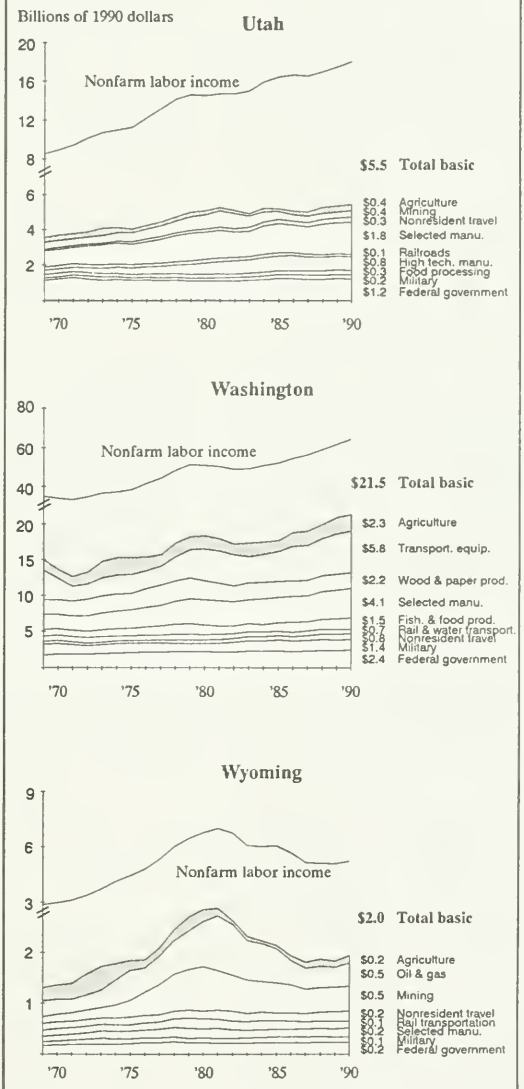
Utah: Salt Lake City's emergence as a world class metropolitan area may explain recent increases in nonfarm labor income.

Washington: Despite the growing national and international stature of Seattle, the divergence between nonfarm labor income and basic industries seems stable. The Boeing Company dominates the transportation equipment category.

Wyoming: The figures for oil and gas exploration and mining -- including coal mining -- reveal the energy boom and bust.

Figures 12, 13 &14

Nonfarm Labor Income & Labor Income in Selected Basic Industries, 1969-1990



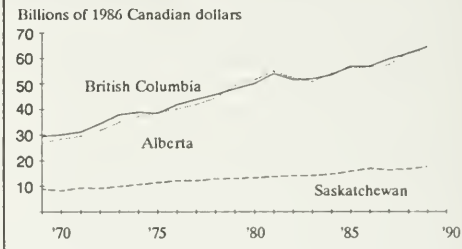
Source: Bureau of Economic Analysis, U.S. Department of Commerce.

General Trends

- British Columbia and Alberta both experienced consistent growth during the 1970s and 1980s.
- British Columbia felt the 1974-75 recession but Alberta didn't.
- Both B.C. and Alberta felt the 1980-82 recession.
- The mid-1980s "oil bust" led to slower growth in Alberta, but only for a year or two.
- Saskatchewan's economy grew slower in both the 1970s and 1980s.
- Saskatchewan experienced no cyclic instability.

Figure 15

Gross Domestic Product, 1969-1989



Sources: Alberta Bureau of Statistics; British Columbia Planning and Statistics Division; and Saskatchewan Bureau of Statistics.

The Basic Industries

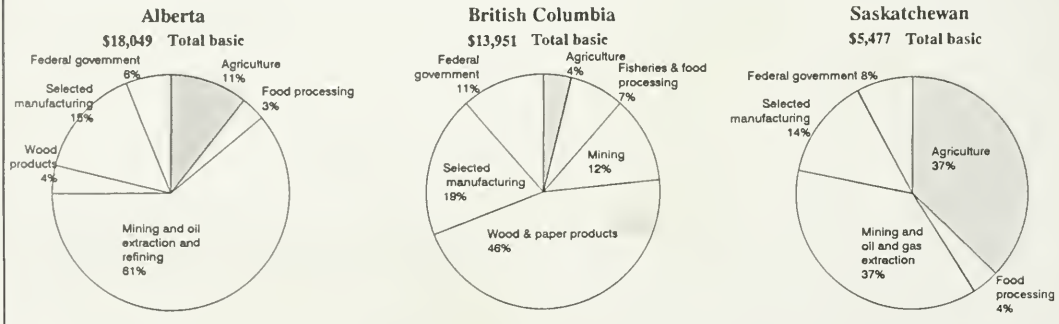
In Canada basic industries are measured using gross domestic product rather than labor income data. GDP measures value of production and may overstate the importance of high value products such as petroleum. Nevertheless, gross domestic product figures do identify the major basic industries in each province. Data for 1987 is the latest available.

- **Alberta:** Oil and gas extraction and refining are the largest components of Alberta's economic base, followed by manufacturing and agriculture.
- **British Columbia:** Wood and paper products dominate B.C.'s basic industries, followed by manufacturing and mining.
- **Saskatchewan:** Tied for first among the basic industries are agriculture and mining (which includes oil and gas extraction as well as nonfuel mineral mining); manufacturing is a distant third.

Figures 16, 17 & 18

Gross Domestic Product in Selected Basic Industries, 1987

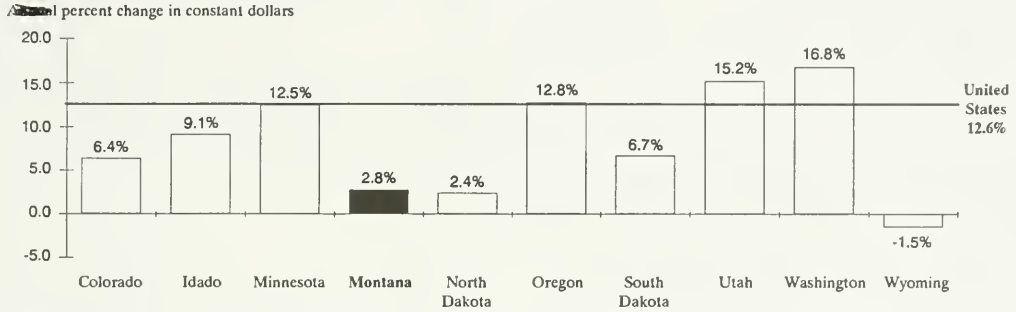
Millions of Canadian dollars



Sources: Statistics Canada.

Figure 19

Projected Nonfarm Labor Income, Percent Change, 1990 - 1997



Source: Bureau of Business and Economic Research based on data provided by the Bureau of Economic Analysis, U.S. Department of Commerce.

Projections

State forecasts are comparable because they utilize similar data, the same time frame, and identical methodologies. Forecasts for 1990-97 highlight long-term trends.

Washington, Utah, Oregon, and Minnesota will experience growth at or exceeding the national average. All four states have large populations and their economies are characterized by minimal dependence on resource industries.

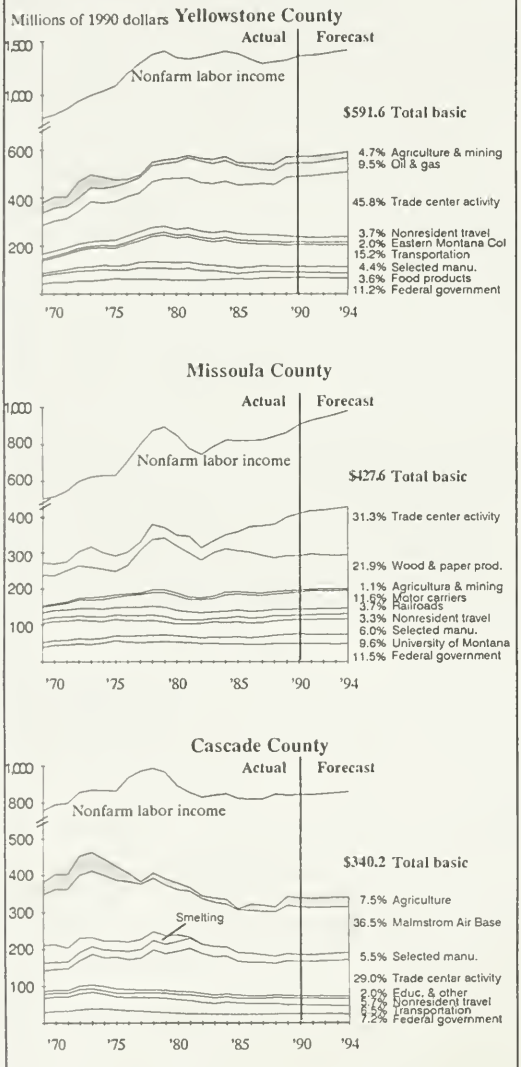
Three states will experience moderate growth: Colorado has low resource dependency and a large population; Idaho and South Dakota are relatively small and their economies highly resource-industry dependent.

Montana and North Dakota will grow slowly. Both have small populations and are moderately dependent on resource industries.

Only Wyoming is projected to decline. It has the smallest population and its economy is highly dependent on resource industries.

Figures 20, 21 & 22

Nonfarm Labor Income & Labor Income in Basic Industries, 1969-1994



Sources: Bureau of Economic Analysis, U.S. Department of Commerce; and Bureau of Business & Economic Research, The University of Montana.

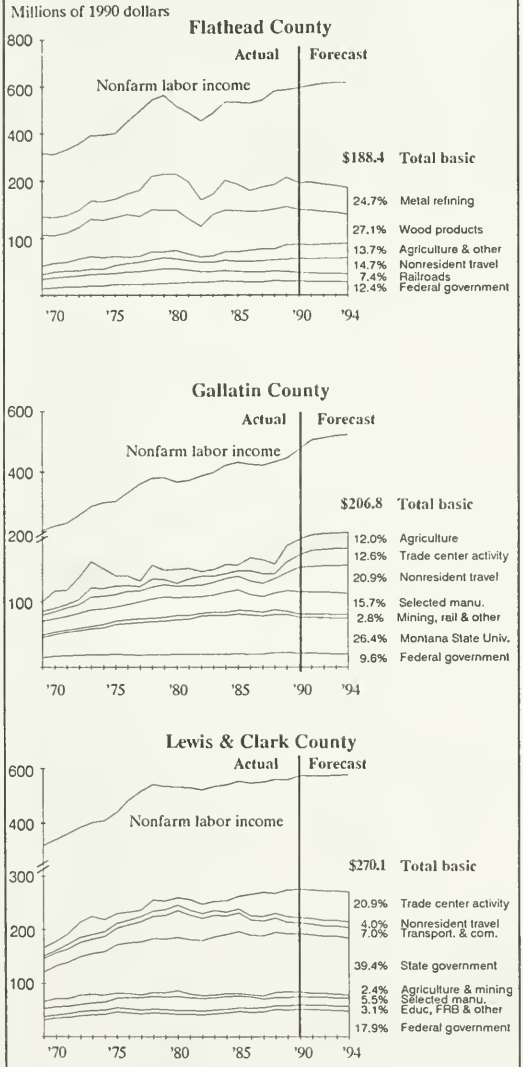
The 1980-82 recession was relatively mild in **Billings**. But nonfarm labor income turned downward at mid-decade due to declines in oil and gas, food products (meat packing), railroads, and other manufacturing. Trade center activity is Billings' largest basic industry.

The cyclic pattern of **Missoula's** economy is caused by its basic industries. Labor income in the wood and paper products and other basic industries exhibits a classic cyclic profile; note declines in 1969-70, 1973-74, and 1980-82. The recent growth in trade center activities occurred mostly in the export component of medical services -- that is, nonresidents coming to Missoula for treatment.

Cascade County's economy has been roughly stable in the 1980s. Interestingly, the data are contradictory when we try to assess the economic impact of Malmstrom Air Force Base. The early 1970s' peak staffing at the base seems to have had little effect on Cascade County's nonfarm labor income. Labor income declined in 1979-82 when base staffing also declined; but the Anaconda smelter closed during that period too. So it remains difficult to isolate the base's impact. It may be relatively weak because the Base Exchange is supplied by some non-local wholesalers and because many service people live on base.

Figures 23, 24 & 25

Nonfarm Labor Income & Labor Income in Basic Industries, 1969-1994



Sources: Bureau of Economic Analysis, U.S. Department of Commerce; and Bureau of Business & Economic Research, The University of Montana.

Flathead County was one of the fastest growing areas in Montana during the 1980s, but growth rates have decelerated since mid-decade. Wood products and primary metals refining are the two largest basic industries. Both were responsible for cyclic declines in the mid 1970s and early 1980s, and along with nonresident travel, were the factors behind the 1980s' rapid growth. Kalispell is close to trade center status, which accounts for the projected growth in nonfarm labor income, accompanied by a decrease in the basic industries.

Bozeman was another fast-growing urban area in Montana, but increases moderated in the late 1980s. Both growth and slowdown can be traced to basic industries. Montana State University and manufacturing (which includes a significant number of high tech firms) were increasing in the 1970s and early 1980s, and have been stable or declining since 1985. Nonresident travel increased significantly in the late 1980s.

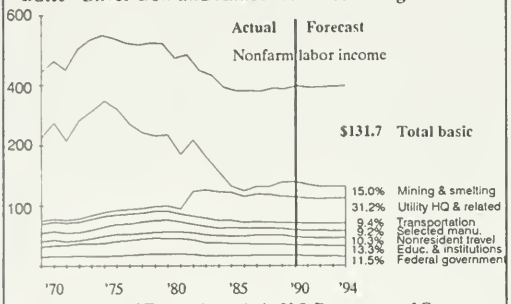
Helena has a stable economy dominated by state and federal governments -- both noncyclic industries. State government was primarily responsible for increases in the 1970s and for 1980s' stability. (State workers' wage freeze is clearly visible in the mid 1980s data.) Recent increases in trade center activity mostly occurred in health care.

Figure 26

Nonfarm Labor Income & Labor Income in Basic Industries, 1969-1994

Millions of 1990 dollars

Butte - Silver Bow and Anaconda - Deer Lodge Counties



Sources: Bureau of Economic Analysis, U.S. Department of Commerce; and Bureau of Business & Economic Research, The University of Montana.

Table 3

Population and Change in Selected Montana Counties, 1970, 1980, 1990

	Population			*Percent Change*	
	1970	1980	1990	*1970-80*	*1980-90*
Cascade	81,894	80,696	77,691	*-1.4%*	*-3.7%*
Flathead	39,460	51,966	59,218	*31.6%*	*13.9%*
Gallatin	32,505	42,865	50,463	*31.8%*	*17.7%*
Lewis & Clark	33,281	43,039	47,495	*29.3%*	*10.3%*
Missoula	58,263	76,016	78,687	*30.4%*	*3.5%*
Yellowstone	87,367	108,035	113,419	*23.6%*	*4.9%*
Butte-Silver Bow & Anaconda-Deer Lodge	57,633	50,610	44,219	*-12.1%*	*-12.6%*
Rest of Montana	304,006	333,463	327,873	9.6%	*-1.6%*
Montana	694,409	786,690	799,065	*13.2%*	*1.5%*

Source: Bureau of the Census, U.S. Department of Commerce.

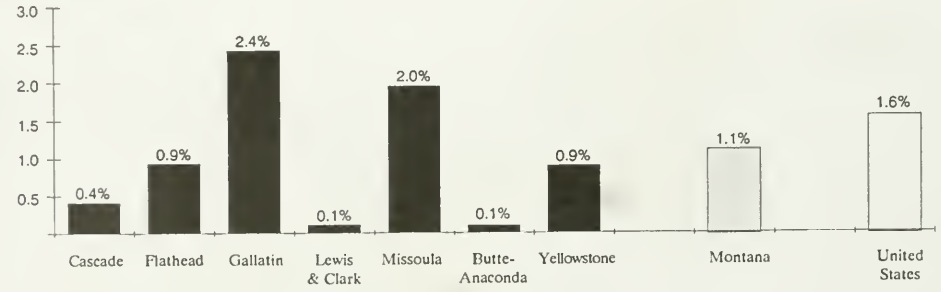
Butte-Anaconda nonfarm labor income decreased by almost one-third between 1979 and 1986. This trend was caused primarily by the Anaconda Company's demise. The company shut down its Anaconda smelter during 1980 and closed the Berkeley Pit in 1983. Butte-Anaconda's economic base is now smaller, but more diverse; the Montana Power Company and its subsidiaries comprise the largest component.

Local Area Forecasts

Figure 27

Projected Nonfarm Labor Income, Average Annual Growth Rate, 1990-1994

Annual percent change in constant dollars



Sources: The WEFA Group; and Bureau of Business & Economic Research, *Economics Montana*, The University of Montana

The Economics Montana program is cosponsored by The University of Montana Bureau of Business and Economic Research, the Montana State Legislature, and the Office of the Governor.

Table 4

Economic Trends for the U.S. Economy, 1988-1994
Actual & Projected as of January 1992

	Actual			Projected			
	1988	1989	1990	1991	1992	1993	1994
Real GDP							
percent change	4.4	2.5	0.9	-0.7	1.5	3.1	2.8
Inflation (CPI-U)							
percent change	4.1	4.8	5.4	4.2	2.6	3.0	3.6
Interest rate, percent							
90-day T-Bill	6.7	8.1	7.5	5.4	3.5	3.9	4.3
Mortgage rate	9.3	10.1	10.0	9.4	8.3	8.7	9.2
Housing starts							
millions	1.5	1.4	1.2	1.0	1.2	1.3	1.3
Unemployment rate							
percent	5.5	5.3	5.5	6.7	7.2	7.1	6.6

Source: The WEFA Group (January 1992).

Table 5

Non-farm Wage and Salary Employment, Montana, 1988 - 1994
Actual & Projected as of January 1992

Thousands of Jobs

	Actual			Projected			
	1988	1989	1990	1991	1992	1993	1994
Nonfarm wage & salary jobs	283.1	291.1	297.3	299.8	303.3	306.8	308.5
Mining	6.2	6.2	6.3	5.9	6.0	5.9	5.9
Construction	9.0	9.8	10.4	10.1	10.0	9.7	9.5
Manufacturing	21.3	22.3	22.4	22.3	22.0	21.6	21.3
Wood & paper products	9.0	9.3	9.0	8.8	8.4	8.1	7.7
Other manufacturing	12.3	13.0	13.4	13.5	13.5	13.5	13.6
Transportation & utilities	19.6	20.0	20.1	20.2	20.0	19.9	19.9
Railroads	3.9	3.6	3.6	3.5	3.3	3.2	3.1
Trucking & warehousing	5.5	5.6	5.8	5.9	5.8	5.9	5.9
Public utilities	7.9	7.8	7.7	7.7	7.8	7.8	7.7
Other transportation	2.1	2.9	2.8	3.0	3.0	3.0	3.2
Trade	74.7	77.1	78.4	78.7	81.9	83.3	84.6
Wholesale trade	15.1	15.7	15.8	15.9	16.1	16.2	16.3
Retail trade	59.6	61.4	62.6	63.8	65.8	67.1	68.3
Finance, insurance & real estate	13.5	13.2	13.3	13.4	13.6	13.7	13.8
Services	68.0	72.2	75.6	77.7	79.9	82.6	83.7
Health	23.8	24.8	26.0	26.4	26.9	27.7	28.0
Nonhealth	44.2	47.4	49.6	51.3	53.0	54.9	55.7
Government	70.8	70.3	70.8	70.3	69.8	69.7	69.5
Federal civilian	13.8	13.8	13.9	13.4	13.3	13.2	13.1
State & local	57.0	56.5	56.9	56.8	56.5	56.5	56.4

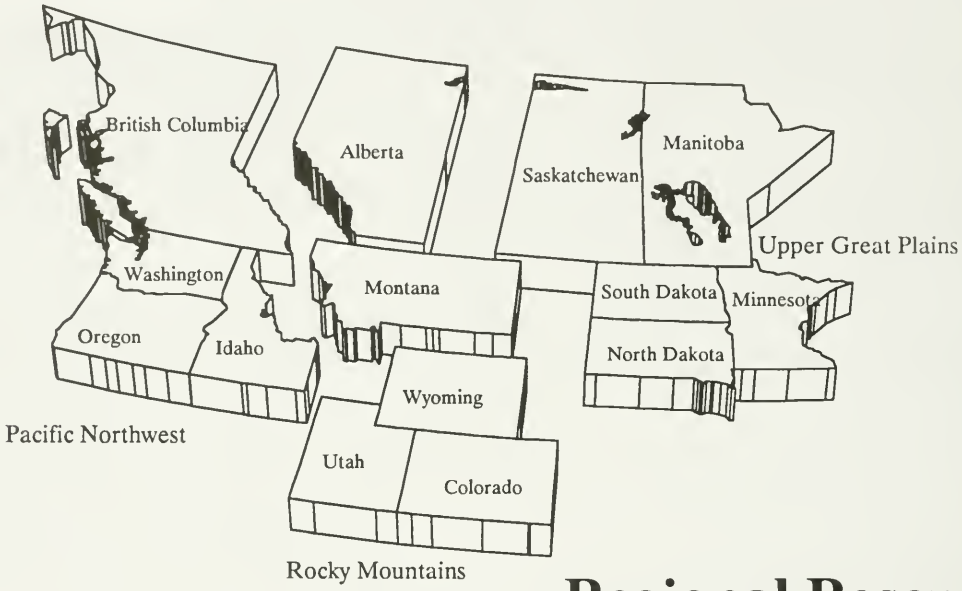
Sources: Bureau of Economic Analysis, U.S. Department of Commerce; and Bureau of Business and Economic Research, *Economics Montana*, The University of Montana.

Table 6

Personal Income by Major Component, Montana, 1988 - 1994
Actual & Projected as of Januray 1992

	Millions of Dollars							Millions of 1990 Dollars						
	Actual			Projected				Actual			Projected			
	1988	1989	1990	1991	1992	1993	1994	1988	1989	1990	1991	1992	1993	1994
Total personal income	10,334	11,548	12,205	12,247	12,693	13,040	13,374	11,350	12,135	12,205	11,789	11,957	11,930	11,838
Labor income	6,740	7,388	7,721	8,182	8,483	8,864	9,215	7,403	7,763	7,721	7,878	7,991	8,109	8,157
Less: S. S. contributions	500	549	582	594	619	651	687	549	577	582	572	583	595	608
Plus: adj. for residence	13	16	18	19	20	21	21	14	17	18	18	19	19	19
Plus: div, int, & rent	2,064	2,569	2,740	2,286	2,426	2,408	2,417	2,267	2,700	2,740	2,200	2,285	2,203	2,139
Plus: transfer payments	2,017	2,124	2,309	2,355	2,383	2,399	2,408	2,215	2,232	2,309	2,267	2,244	2,194	2,132
Farm	211	512	421	575	580	585	590	231	538	421	553	546	535	522
Nonfarm	6,530	6,876	7,300	7,607	7,903	8,279	8,625	7,171	7,225	7,300	7,322	7,445	7,574	7,634
Ag. services, for., fish.	52	54	59	60	60	61	62	58	57	59	57	57	56	55
Mining	235	252	260	248	256	266	275	258	265	260	239	241	244	244
Coal mining	55	56	58	60	62	59	61	60	59	58	57	58	54	54
Oil and gas extraction	67	68	67	66	66	68	69	73	71	67	64	62	62	61
Metal mining	82	101	106	95	100	108	113	90	106	106	91	94	99	100
Nonmetallic minerals	32	28	29	27	29	31	32	36	29	29	26	27	28	28
Construction	375	396	412	419	428	429	435	412	416	412	403	403	393	385
Manufacturing	574	616	644	660	669	687	703	630	647	644	635	630	628	623
Wood & paper products	262	278	286	290	285	285	285	288	292	286	279	268	260	252
Other manufacturing	312	338	358	370	384	402	419	342	355	358	356	361	368	371
Tran. & pub. utilities	714	721	752	786	801	829	858	784	758	752	757	754	759	759
Railroads	131	129	127	129	126	128	129	143	135	127	124	119	117	114
Trucking & warehousing	219	227	247	266	273	282	293	241	239	247	256	257	258	259
Communication	124	126	129	131	132	138	142	136	132	129	126	125	126	126
Electric, gas, & sewer	179	177	182	192	198	206	214	197	186	182	184	186	189	190
Other transportation	61	62	66	69	72	75	79	67	66	66	66	67	69	70
Wholesale trade	356	388	407	422	445	469	494	391	408	407	407	419	429	437
Retail trade	792	848	890	941	1,001	1,060	1,121	870	892	890	906	943	970	992
Fin., ins., & real estate	333	305	326	341	357	373	391	365	320	326	328	336	342	346
Services	1,633	1,782	1,949	2,078	2,202	2,366	2,491	1,794	1,872	1,949	2,000	2,074	2,165	2,205
Health services	633	682	748	790	830	890	936	695	717	748	761	782	815	828
Services ex. health	1,001	1,100	1,200	1,288	1,371	1,476	1,555	1,099	1,155	1,200	1,240	1,292	1,350	1,377
Government	1,465	1,514	1,601	1,651	1,686	1,737	1,795	1,609	1,591	1,601	1,589	1,588	1,589	1,589
Federal, civilian	382	394	418	423	434	446	460	419	414	418	408	409	408	407
Federal, military	116	130	135	136	136	130	134	128	137	135	131	128	119	118
State & local	967	989	1,049	1,092	1,115	1,161	1,202	1,062	1,039	1,049	1,051	1,051	1,062	1,064

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; and Bureau of Business and Economic Research, *Economics Montana*, The University of Montana.



Regional Resource I

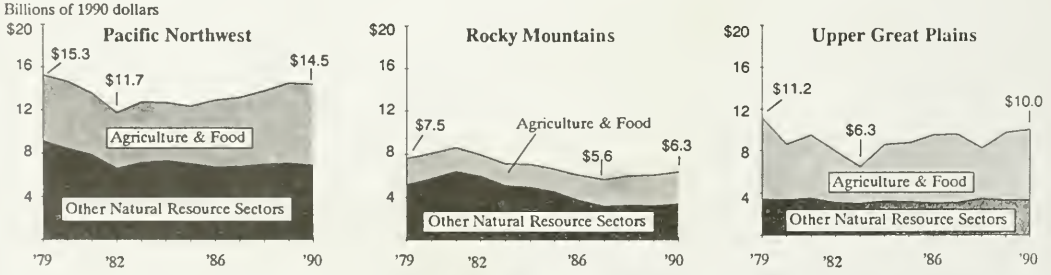
by Larry D. Swanson

All or portions of Montana are regularly included in any one of three general regions: the Pacific Northwest, the Rocky Mountains, and the Upper Great Plains. A common characteristic of each of these regions is their economic dependence upon natural resource industries, including agriculture, wood products, energy production, and mineral mining.

Many of these industries have declined or undergone difficult restructuring in the last decade.

Figures 1, 2 & 3

Regional Labor Income in the Natural Resource Industry Sectors, 1979 - 90

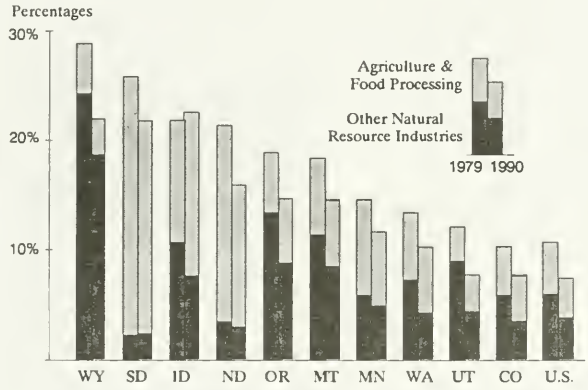


Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce (Washington, Oregon, and Idaho are included in the Pacific Northwest. Colorado, Utah, and Wyoming are included in the Rocky Mountains. Minnesota, North Dakota, and South Dakota are included in the Upper Plains.)

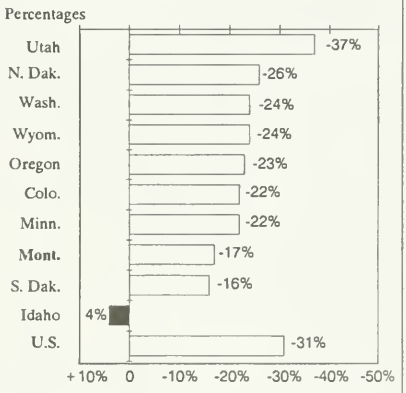
Figures 4 & 5

State Resource Industry Dependency

Share of Total Labor Income, 1979 vs. 1990



Percentage Change in Resource Industry Dependency, 1979 - 90



Source: Bureau of Business and Economic Research, The University of Montana (resource industries include sectors in agriculture and food, wood and paper products, energy, and mining.)

Industry Dependency

Although improving more recently, total labor earnings by workers employed in these natural resource industries have declined from levels reached in the late 1970s. As a result, the economic dependencies of states in the region upon these natural resource industries have generally declined as well.

A state's economic dependence upon these natural resource industries is generally gauged by comparing labor income generated in them with labor income in the state as a whole. For the ten states in the region, each is more reliant on natural resource industries in generating labor income than is the U.S. economy as a whole.

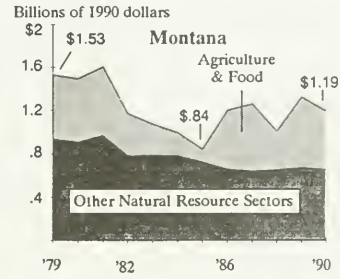
Wyoming was the most dependent state in the region as the decade began with nearly 30 percent of its total labor income accounted for by natural resource industries. It reduced this dependence by 24 percent during the 1980s as this share fell to 22 percent. The economies of South Dakota and Idaho are the next most resource dependent states and Idaho is the only state in the region that has increased this dependence over the decade.

The economies of Colorado, Utah, Washington, and Minnesota are the least dependent upon resource industries in the region.

In Montana labor income in these natural resource industries fell from a high of $1.6 billion in 1981 to only $840 million in 1985. Conditions in agriculture improved considerably after 1985 and total labor income in the state's resource sectors stood at $1.19 billion in 1990. However, Montana is less resource industry dependent today than ten years ago.

Figure 6

Natural Resource Industry Labor Income



Source: BEA (Other resource sectors include energy, mining, and wood and paper industries.)

Agriculture & Food

Table 1

Region-by-Region Trends in Labor Income and Employment

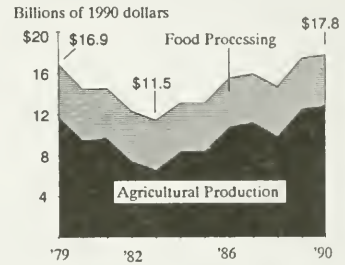
Labor Income: LI (Mil. $90) / Employment: E (Thous.)		1979	1985	1990	Percent Change 1979 - 90	Percent Change 1985 - 90
Agricultural Production[a]						
Pacific Northwest	LI	$4,090	$3,457	$5,605	+37%	+62%
	E	230	234	258	+12%	+10%
Rocky Mountains	LI	$1,440	$1,159	$1,932	+34%	+67%
	E	93	101	101	+9%	0%
Upper Plains	LI	$5,786	$3,867	$4,818	-17%	+25%
	E	262	249	225	-14%	-10%
Montana	LI	$484	$48	$476	-2%	+892%
	E	37.1	36.0	35.4	-5%	-2%
Food Processing						
Pacific Northwest	LI	$2,065	$1,861	$1,997	-3%	+7%
	E	76	72	80	+5%	+12%
Rocky Mountains	LI	$1,011	$977	$1,064	+5%	+9%
	E	36	34	39	+9%	+15%
Upper Plains	LI	$1,932	$1,684	$1,828	-5%	+9%
	E	62	56	62	0%	+10%
Montana	LI	$108	$72	$61	-43%	-14%
	E	4.1	2.7	2.6	-38%	-4%

Source: Bureau of Business and Economic Research, The University of Montana (using data from the Bureau of Economic Analysis, U.S. Dept. of Commerce.)

[a]Includes farm income and agricultural and fishery services.

Figure 7

Regionwide Labor Income in Agriculture and Food Processing, 1979 - 90



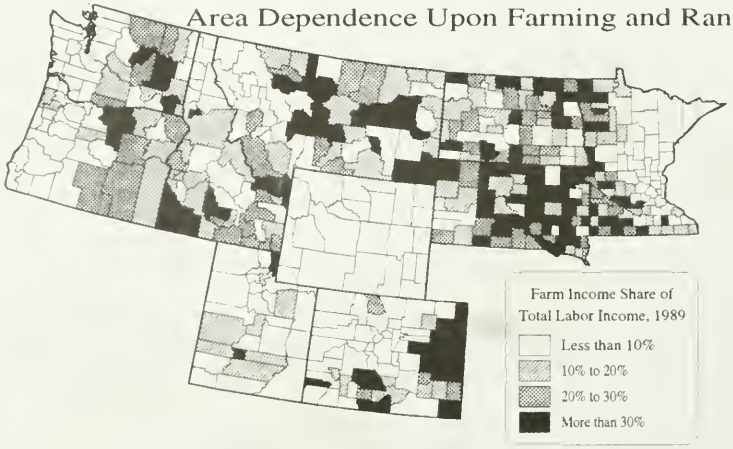
Source: Bureau of Economic Analysis, U.S. Dept. of Commerce (Ag production includes farm income and ag and fishery services.)

After marked declines in the early 1980s, labor income received by the region's agricultural producers has steadily grown. Although increasing more recently, labor income in the region's food processing sector saw very little growth during the 1980s.

Labor income received by agricultural producers in Montana returned to levels of ten years earlier after plummeting to disastrous levels in the mid-1980s. Montana's food processing sector has steadily declined.

Figure 9a

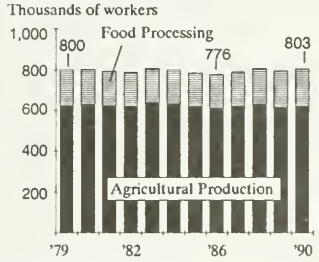
Area Dependence Upon Farming and Ranching



Source: Bureau of Business and Economic Research, The University of Montana (using BEA data).

Figure 8

Regionwide Employment in Agriculture and Food Processing, 1979 - 90



Source: Bureau of Economic Analysis, U.S. Dept. of Commerce (Ag production includes farm income and ag and fishery services.)

Full and part-time employment in the region's agriculture sector has remained stable. Employment gains in agricultural services offset losses in employment among farm and ranch operators.

After falling from 178,000 workers in 1979 to 165,000 in 1985, regionwide employment in food processing increased steadily to 183,000 workers in 1990. Since 1985 food processing employment has increased by 12 percent in the Pacific Northwest, by 15 percent in the three-state Rocky Mountain region, and by 10 percent in the Plains region.

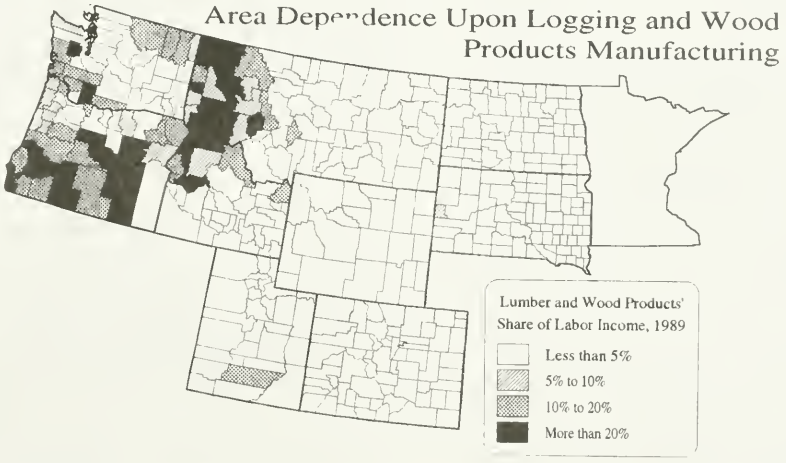
In Montana employment in food processing has steadily fallen from over 4,000 workers at the beginning of the decade to 2,600 in 1990.

Wood and Paper Products

While agricultural production is spread throughout the region (as indicated in the map at the left), the lumber and wood products industry is concentrated in Oregon, Washington, Northern Idaho and western counties in Montana. The map below shows all counties where the lumber and wood products industry accounts for at least 5 percent of total labor income.

Montana counties most dependent upon logging and wood products manufacturing are Lincoln and Mineral Counties (with 30 percent of their total labor income in wood products) and Granite and Sanders Counties (with wood products accounting for over 20 percent of their labor income).

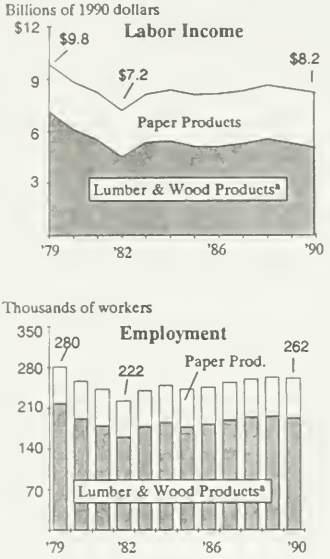
Figure 9b


Area Dependence Upon Logging and Wood Products Manufacturing
Lumber and Wood Products' Share of Labor Income, 1989
Less than 5%
5% to 10%
10% to 20%
More than 20%

Source: Bureau of Business and Economic Research, The University of Montana (using U.S. Dept. of Commerce data).

Figures 10 & 11

Regionwide Labor Income & Employment in the Wood and Paper Products Industry 1979 - 90



Source: Bureau of Economic Analysis, U.S. Dept. of Commerce.

[a]Includes forestry services.

Table 2

Trends in Labor Income and Employment among Major Producing States in the Pacific Northwest

Labor Income: LI (Mil. $90) / Employment: E (Thous.)		1979	1985	1990	Percent Change 1979 - 90	Percent Change 1985 - 90
Lumber and Wood Products[a]						
Oregon	LI	$3,173	$2,262	$2,087	-34%	-8%
	E	90.7	74.4	77.3	-15%	+3%
Washington	LI	$2,081	$1,364	$1,320	-37%	-3%
	E	60.1	45.0	48.4	-19%	+8%
Idaho	LI	$747	$519	$570	-24%	+10%
	E	21.3	16.1	18.5	-13%	+15%
Montana	LI	$379	$283	$255	-32%	-10%
	E	12.6	10.7	10.7	-15%	0%
Paper Products						
Oregon	LI	$444	$432	$417	-6%	-3%
	E	9.8	9.2	9.3	-5%	+0%
Washington	LI	$729	$773	$802	+10%	+4%
	E	15.9	16.7	18.3	+15%	+10%
Idaho	LI	$57	$84	$103	+81%	+22%
	E	1.4	1.8	2.3	+67%	+26%
Montana	LI	$31	$40	$36	+15%	-10%
	E	0.7	0.9	0.8	+14%	-9%

Source: Bureau of Business and Economic Research, The University of Montana (using data from the Bureau of Economic Analysis, U.S. Dept. of Commerce).

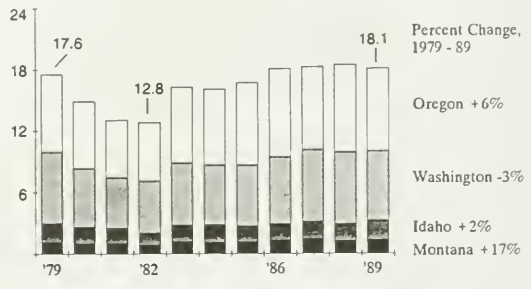
[a]Includes lumber and wood products manufacturing and forestry services.

Nationwide recessions in the early 1980s slowed activity in the wood products industry, reducing industry employment throughout the region. Lumber and wood products employment in Oregon, Washington, and Idaho in 1990 was up over levels of the mid-1980s, but still below levels in 1979. Regionwide labor income in lumber and wood products in 1990 was down 29 percent from 1979 levels. But, this decline was largely in the early 1980s. Wood products employment in Montana has been generally stable since 1985, after marked declines in the early 1980s. However, labor income is down.

Employment in paper products manufacturing has grown in Washington and Idaho, and stabilized in Oregon after declining in the early 1980s. Paper products employment in Montana peaked in 1984 and 1985 and has since fallen by 9 percent. Labor income received by these workers also rose before falling in more recent years.

Figure 12

Logging Activity in the Pacific Northwest and in Montana, 1979 - 89



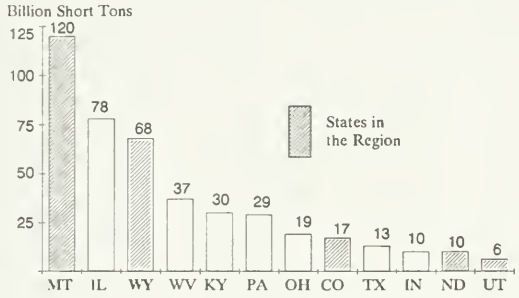
Source: U.S. Forest Service, U.S. Dept. of Agriculture.

Note: Includes logging on both public and private lands.

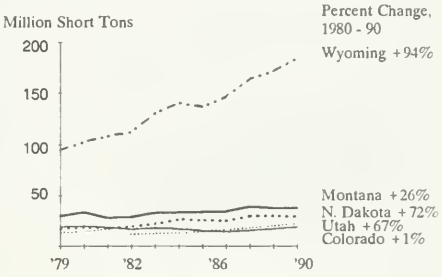
Figures 13 & 14

Coal Reserves and Production in the Region

States with the Largest Coal Reserves



Coal Production by States in the Region, 1980 -90



Source: Energy Information Administration (EIA), U.S. Dept. of Energy.

Energy Industries

Several states in the region have large coal reserves. First among these is Montana with 120 billion short tons of coal, far more than any other state in the U.S. Wyoming's large coal deposits are being increasingly tapped in supplying coal-fired power plants in the Midwest and South, with the state's coal production nearly doubling during the 1980s. Coal production also has increased significantly in North Dakota and Utah.

In Montana coal production is increasing, but at a much slower rate.

These same coal-producing states also have significant crude oil and natural gas deposits. Wyoming has the largest existing reserves of oil and gas in the region, followed by Colorado. In the ten-state region, Montana is fifth in crude oil reserves and fourth in natural gas reserves.

Oil and gas drilling activity peaked throughout the region in 1981 during a nationwide drilling "boom" and fell off dramatically as the price of crude oil plummeted. In more recent years, drilling activity in the region has stabilized.

Figure 15

Oil and Gas Reserves and Drilling Activity in the Region

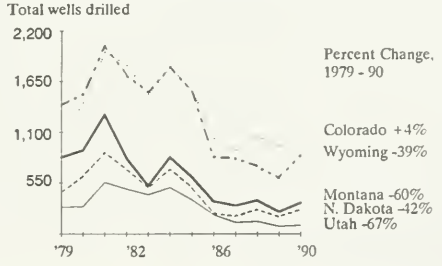
Proved Reserves of Crude Oil and Natural Gas, 1979 and 1990[a]

State	Crude Oil (Mil. Bbls.)			Dry Natural Gas (Bcf.)		
	1979	1990	% Change	1979	1990	% Change
Colorado	159	305	+92%	2,608	4,555	+75%
Wyoming	841	794	-6%	7,526	9,944	+32%
Montana	152	221	+45%	825	899	+9%
N. Dakota	211	285	+35%	439	586	+34%
Utah	201	249	+24%	948	1,510	+59%

[a]Amounts in known deposits that can be recovered in the future under existing economic and operating conditions.

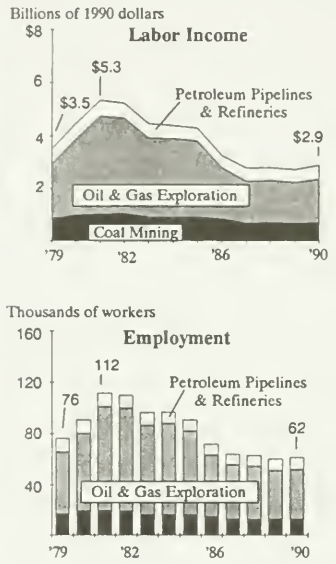
Source: EIA, U.S. Dept. of Energy

Oil and Gas Drilling Activity in Major Producing States in the Region, 1979 - 90



Figures 16 & 17

Regionwide Labor Income & Employment in the Coal and Oil and Gas Industries, 1979 - 90



Source: Bureau of Economic Analysis, U.S. Dept. of Commerce.

Table 3

Trends in Labor Income and Employment among Major Energy Producing States in the Region

Labor Income: LI (Mil. $90) / Employment: E (Thous.)			1979	1985	1990	Percent Change 1979 - 90	Percent Change 1985 - 90
Rank	**Coal Mining**						
#1	Wyoming	LI	$255	$351	$276	+8%	-21%
		E	4.9	6.0	4.9	+0%	-19%
#2	Colorado	LI	$290	$256	$186	-36%	-28%
		E	5.3	4.1	3.0	-44%	-28%
#3	Utah	LI	$194	$157	$131	-33%	-17%
		E	4.3	2.9	2.6	-40%	-12%
#4	Montana	LI	$76	$77	$58	-24%	-25%
		E	1.4	1.4	1.1	-17%	-21%
	Oil and Gas Exploration						
#1	Colorado	LI	$760	$1,416	$817	+8%	-42%
		E	17.6	32.1	18.6	+6%	-42%
#2	Wyoming	LI	$661	$626	$401	-39%	-36%
		E	16.9	16.5	10.5	-38%	-37%
#3	N. Dakota	LI	$157	$176	$92	-41%	-48%
		E	4.5	5.5	3.1	-31%	-43%
#7	Montana	LI	$132	$133	$67	-49%	-49%
		E	3.8	3.9	2.1	-45%	-46%
	Petro. Pipelines & Refineries						
#1	Washington	LI	$129	$119	$136	+5%	+14%
		E	2.2	1.9	2.3	+5%	+21%
#2	Minnesota	LI	$98	$96	$113	+15%	+18%
		E	1.9	1.8	2.1	+11%	+17%
#3	Wyoming	LI	$119	$66	$64	-46%	-3%
		E	2.1	1.2	1.2	-43%	0%
#4	Montana	LI	$62	$57	$44	-29%	-23%
		E	1.1	1	0.9	-18%	-10%

Source: Bureau of Business and Economic Research, The University of Montana (using data from the Bureau of Economic Analysis, U.S. Dept. of Commerce.)

Regionwide coal mining employment in 1990 is down 25 percent from ten years earlier, with the greatest declines occurring in Colorado and Utah. While coal production doubled in Wyoming during the 1980s, the state's coal mining employment increased by only 8 percent. In Montana coal mining employment dropped by 17 percent in spite of a 26 percent increase in coal production. Labor income received by coal miners regionwide has dropped by 23 percent in just the last five years, including a 25 percent drop in Montana.

Employment and labor income in petroleum refineries and pipelines have risen in some parts of the region, but are declining in Montana. Labor income received by Montana workers in this fuel processing sector has fallen by 23 percent since 1985.

The most volatile segment of the energy industry is oil and gas exploration. Regionwide employment in oil and gas exploration has fallen from a high of 82,000 workers in 1981 to a current level of about 39,000, a more than 50 percent decline. In Montana employment in oil and gas exploration, which exceeded 7,000 workers in 1981, now stands at about 2,100.

Altogether, regionwide employment in these energy sectors, once totaling 112,000 workers receiving over $5 billion in labor earnings, was cut in half by 1990.

Table 4

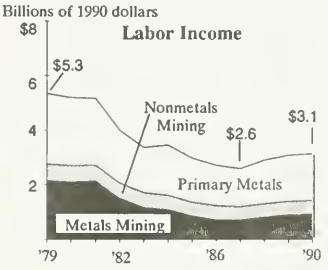
Trends in Labor Income and Employment among Major Nonfuel Mineral Producing States in the Region

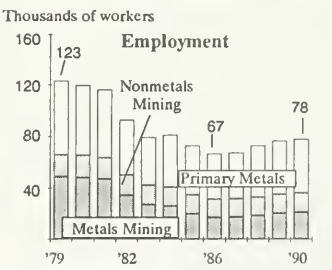
Rank		Labor Income: LI (Mil. $90) Employment: E (Thous.)	1979	1985	1990	Percent Change 1979 - 90	Percent Change 1985 - 90
	Metals Mining						
#1	Minnesota	LI	$724	$265	$278	-62%	+5%
		E	15.4	6.6	6.4	-59%	-3%
#2	Colorado	LI	$456	$210	$207	-55%	-2%
		E	10.6	4.6	3.6	-66%	-23%
#3	Utah	LI	$393	$111	$140	-65%	+26%
		E	9.0	2.3	3.1	-66%	+37%
#5	Montana	LI	$90	$38	$106	+18%	+181%
		E	2.3	1.2	2.7	+18%	+124%
	Nonmetals Mining						
#1	Wyoming	LI	$233	$193	$181	-22%	-6%
		E	5.5	4.0	4.0	-27%	0%
#2	Minnesota	LI	$61	$59	$60	-3%	+1%
		E	1.8	1.7	1.9	+4%	+9%
#3	Washington	LI	$63	$45	$56	-12%	+24%
		E	1.7	1.5	1.9	+9%	+27%
#7	Montana	LI	$30	$37	$29	-2%	-21%
		E	1.1	1.3	1.1	-3%	-15%
	Primary Metal Industries						
#1	Washington	LI	$789	$575	$565	-28%	-2%
		E	17.5	12.9	13.2	-25%	+3%
#2	Oregon	LI	$479	$362	$470	-2%	+30%
		E	11.1	8.9	11.3	+1%	+27%
#3	Utah	LI	$412	$241	$238	-42%	-1%
		E	8.4	4.9	5.9	-30%	+20%
#6	Montana	LI	$138	$61	$59	-57%	-2%
		E	3.3	1.4	1.2	-65%	-18%

Source: Bureau of Business and Economic Research, The University of Montana (using data from the Bureau of Economic Analysis, U.S. Dept. of Commerce.)

Figures 18 & 19

Regionwide Labor Income & Employment in the Nonfuel Minerals Industry 1979 - 90





Source: Bureau of Economic Analysis, U.S. Dept. of Commerce.

Nonfuel Minerals

Regionwide labor income in nonfuel minerals production fell from $5.3 billion in 1979 to a low of $2.6 billion in 1987 before seeing some recovery. Metal mining employment collapsed from 49,000 workers in 1979 to just over 17,000 workers in 1986, before increasing in 1988 and 1989 with surging metal prices. However, the $945 million in labor income metal mining workers received in 1990 is down considerably from more than $2 billion received in 1979, 1980, and 1981. Metal mining made its biggest recovery in the region in Montana.

The primary metal industries (processing of both metal ores and scrap metals), declined precipitously through much of the 1980s before seeing some improvements in recent years. In Montana the primary metals industry has largely stabilized after incurring large losses in employment and labor income during the first half of the decade.

Resource Industry Dependency and Regional Economic Growth

Table 5

State Resource Industry Dependency and Labor Income Growth

	Resource Industry Dependency[a]		Resource Industry Labor Inc. Change[b]		State Total Labor Income Change[b]	
	1979	1990	1979 - 90	1985 - 90	1979 - 90	1985 - 90
Pacific Northwest						
Washington	+13%	+10%	-5%	+18%	+25%	+24%
Oregon	+19%	+15%	-15%	+9%	+11%	+21%
Idaho	+22%	+23%	+18%	+35%	+14%	+19%
Rocky Mountains						
Colorado	+10%	+8%	-2%	-5%	+25%	+6%
Utah	+12%	+8%	-22%	+13%	+23%	+11%
Wyoming	+29%	+22%	-39%	-16%	-20%	-12%
Upper Plains						
Minnesota	+15%	+12%	-6%	+17%	+21%	+15%
N. Dakota	+21%	+16%	-32%	-17%	-9%	-2%
S. Dakota	+26%	+22%	-12%	+35%	+5%	+19%
Montana	+18%	+15%	-22%	+41%	-7%	+7%
U.S.	+11%	+7%	-14%	+1%	+24%	+15%

Source: Bureau of Business and Economic Research, The University of Montana (using U.S. Dept. of Commerce data).

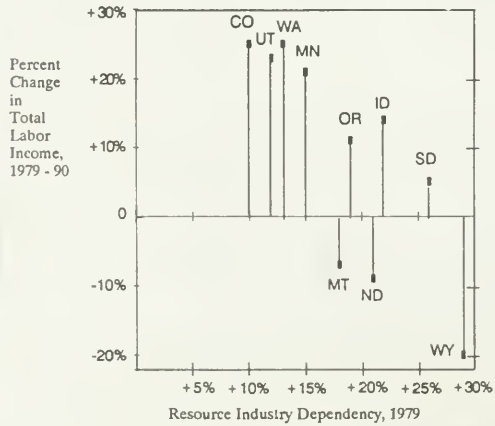
[a]Total natural resource industry labor income as a share of total labor income.
[b]Percent change in constant dollars.

Natural resource industries tend to be unstable, slow-growing, or declining sectors of the economy. Because of this, heavy dependence on them by a state or region is often viewed as an economic liability. As indicated in Figure 20, the states with the greatest resource industry dependence in 1979 also tended to be the ones with the least growth in overall labor income between 1979 and 1990. Wyoming, the most resource industry dependent state in the region, experienced a 20 percent decline in real labor income, while Colorado, the least dependent, experienced 25 percent growth.

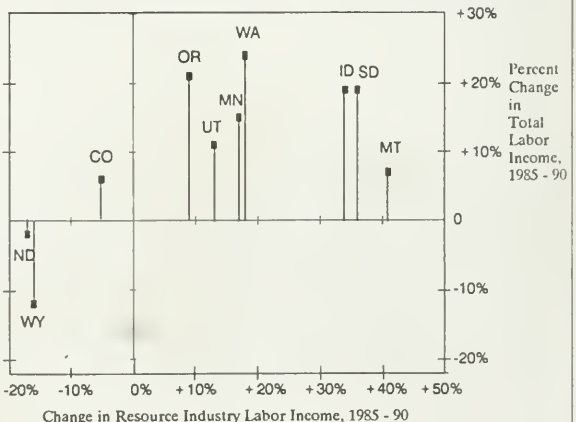
While largely negative factors in a region's long-term economic growth potential, resource industries have played an important role in the region's general economic recovery in recent years. As indicated in Figure 21, the states with the greatest gains in resource industry labor income since 1985 also tended to have the greatest gains in total labor income.

Figures 20 & 21

State Resource Industry Dependency and Long-term Regional Economic Growth Potential

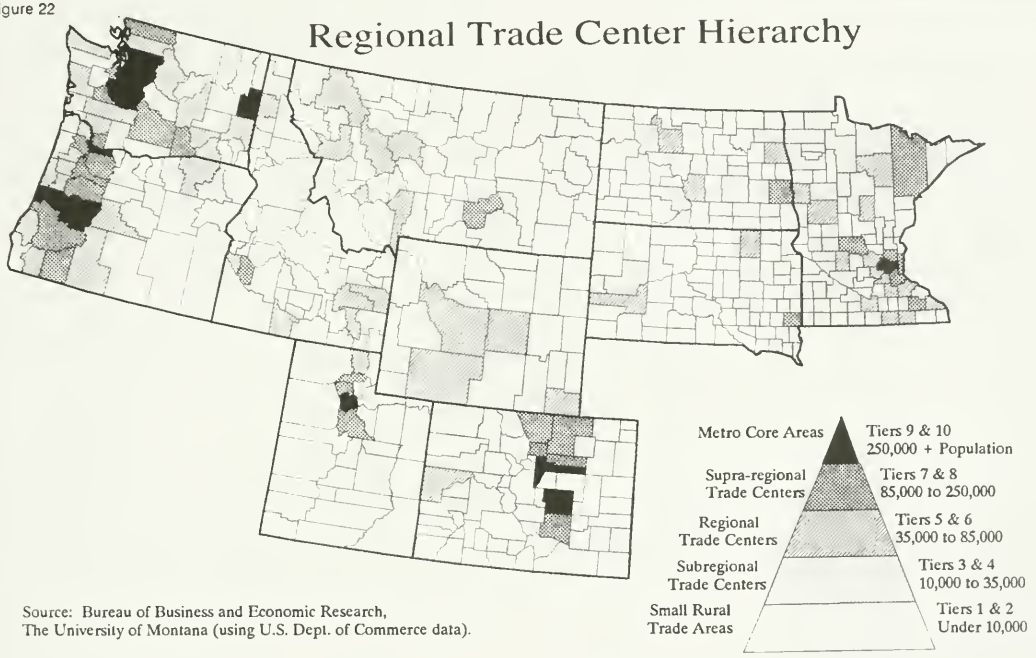


Resource Industry Improvement and Short-term Regional Economic Recovery



Source: Bureau of Business and Economic Research, The University of Montana.

Figure 22



Source: Bureau of Business and Economic Research,
The University of Montana (using U.S. Dept. of Commerce data).

Subregional Economic Patterns and Trends

by Larry D. Swanson

The level and breadth of economic activity from one city or town to the next is heavily influenced by variations in trade area populations. Cities or towns with progressively larger trade areas and trade area populations have progressively larger levels of retail and services trade activity. They also have progressively greater diversities of retailing and service functions. Together, various levels or "tiers" of similar size and similarly diverse trade centers form an overall regional trade center hierarchy.

Using county population figures in 1980, a regional trade center hierarchy for the ten-state region has been demarcated. The hierarchy of trade center tiers ranges from small rural trade areas (Tiers 1 and 2 composed of counties with populations under 10,000) to "subregional trade centers" that lie within even larger trade areas of "regional trade centers" (Tiers 5 and 6). These trade centers in turn lie within the even larger, more encompassing trade areas of "supra-regional trade centers" where even wider arrays of economic activity are found (Tiers 7 and 8 composed of counties with populations between 85,000 and 250,000.

Counties in the region with populations greater than 250,000 are largely central city core areas of the region's very largest cities - cities such as Seattle, Portland, Salt Lake City, Denver, and Minneapolis-St. Paul.

Patterns of population growth and change within the region largely differentiate according to the regional trade center hierarchy. Population growth is concentrated in the higher level tiers, particularly in metropolitan counties with populations of 100,000 to 300,000. Population decline is concentrated in the more rural counties.

Regionwide Population Change by Tier, 1979 - 89

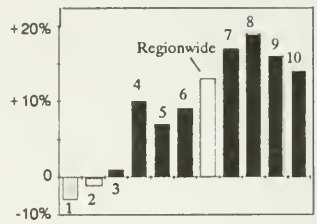


Table 6

Changes in Population Within the Regional Trade Center Hierarchy, 1979 - 89

No. of Counties Per Tier, Population Gain or Loss in Thousands, and Percent Population Change by Region

	Pacific NW	Rocky Mts	Upper Plains	Montana	Regionwide
Tier 10	(2) + 254 + 14%	(1) + 129 + 22%	(1) + 88 + 9%	(0) 0 0%	(4) + 471 + 14%
Tier 9	(4) + 248 + 18%	(4) + 265 + 18%	(1) +26 + 6%	(0) 0 0%	(9) + 539 +16%
Tier 8	(13) + 242 + 20%	(4) + 141 + 18%	(3) + 104 +17%	(0) 0 0%	((20) + 487 + 19%
Tier 7	(7) + 145 + 19%	(4) + 84 + 16%	(5) + 86 +17%	(1) + 8.1 + 7.5%	(17) +323 + 17%
Tier 6	(15) + 83 + 9%	(4) + 28 + 10%	(5) + 36 +12%	(2) - 1.3 - 0.8%	(26) + 146 + 9%
Tier 5	(12) + 49 + 10%	(2) - 1 - 2%	(14) + 29 + 5%	(4) + 14.1 + 8.0%	(32) + 91 + 7%
Tier 4	(13) + 27 + 8%	(18) + 87 +20%	(31) + 36 + 5%	(1) + 4.5 +20.7%	(63) + 154 + 10%
Tier 3	(24) + 16 + 4%	(25) + 24 + 8%	(47) - 22 - 3%	(14) - 3.9 - 2.1%	(110) + 14 + 1%
Tier 2	(20) + 3 + 2%	(25) + 17 + 9%	(50) - 23 - 6%	(14) - 0.8 - 0.8%	(109) - 4 - 1%
Tier 1	(16) - 1 - 2%	(28) + 6 + 8%	(49) - 12 - 7%	(20) - 4.5 - 9.2%	(113) -11 - 3%
Total	(126) + 2, 083 + 15%	(115) + 780 + 17%	(206) + 347 + 6%	(56) + 16.2 + 2.1%	(503) + 3,226 +13%

Source: Bureau of Business and Economic Research, The University of Montana (using U.S. Dept. of Commerce data).

Counties With Growing or Declining Populations

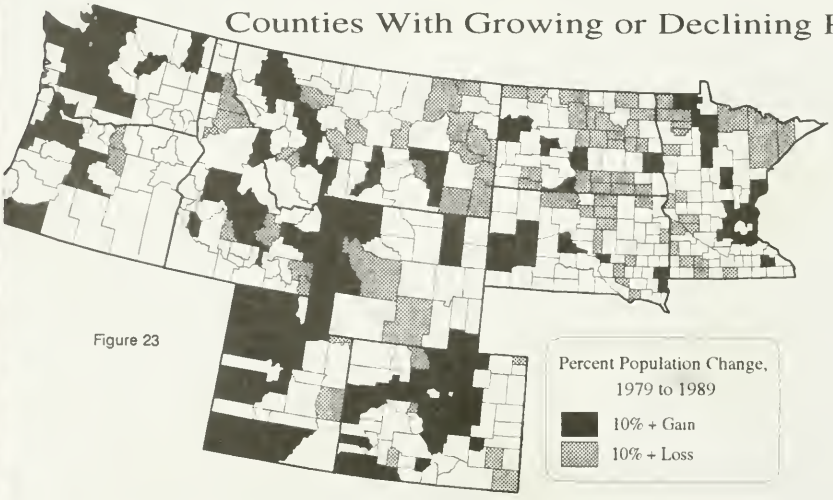


Figure 23

The region's fastest growing counties are largely in and around regional and supra-regional trade centers as well as less populated high-amenity, tourism and recreation areas of the Pacific Northwest and Rockies. The region's fastest declining counties are largely in ag-dependent, rural areas of the Upper Great Plains region.

Source: Bureau of Business and Economic Research, The University of Montana (using U.S. Dept. of Commerce data).

Table 7

Retail Sector Labor Income Change by Trade Center Tier, 1979 - 89

Trade Center	Changes in Retail Labor Income in Millions of 1990 Dollars and Percent									
	Pacific NW		Rocky Mts		Upper Plains		Montana		Regionwide	
Tier 10	+$336	(+10%)	+$86	(+10%)	+$310	(+17%)	$0	(0%)	+$732	(+12%)
Tier 9	+$127	(+7%)	+$60	(+2%)	-$12	(-2%)	$0	(0%)	+$174	(+4%)
Tier 8	+$204	(+13%)	+$139	(+16%)	+$118	(+16%)	$0	(0%)	+$460	(+15%)
Tier 7	+$56	(+6%)	+$9	(+2%)	+$132	(+19%)	-$22	(-11%)	+$175	(+7%)
Tier 6	-$87	(-7%)	-$74	(-19%)	-$31	(-7%)	-$31	(-12%)	-$223	(-10%)
Tier 5	-$54	(-10%)	-$37	(-35%)	-$58	(-8%)	-$17	(-6%)	-$165	(-10%)
Tier 4	-$39	(-9%)	-$34	(-7%)	-$115	(-14%)	-$3	(-14%)	-$190	(-11%)
Tier 3	-$59	(-16%)	-$4	(-1%)	-$163	(-24%)	-$61	(-29%)	-$287	(-17%)
Tier 2	-$26	(-19%)	-$3	(-2%)	-$115	(-35%)	-$24	(-28%)	-$167	(-22%)
Tier 1	-$14	(-37%)	-$9	(-13%)	-$47	(-33%)	-$17	(-38%)	-$88	(-30%)
Total	+$766	(+4%)	+$133	(+2%)	+$19	(0%)	-$174	(-16%)	+$744	(+2%)

Source: Bureau of Business and Economic Research, The University of Montana (using U.S. Dept. of Commerce data).

Patterns in retail and services trade activity also differentiate according to the trade center hierarchy. Retail labor income increased regionwide by only 2 percent during the 1980s, with gains only in the larger trade centers. Retail labor income declined considerably in the smaller, more rural trade centers. Growth in the fast-growing services sector occurred throughout the region, with the greatest growth in the largest trade centers and metro areas.

Figure 24
Regionwide Percent Change in Real Labor Income by Tier, 1979 - 89

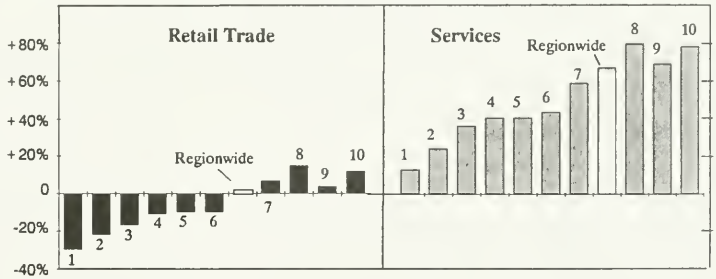


Table 8

Service Sector Labor Income Change by Trade Center Tier, 1979 - 89

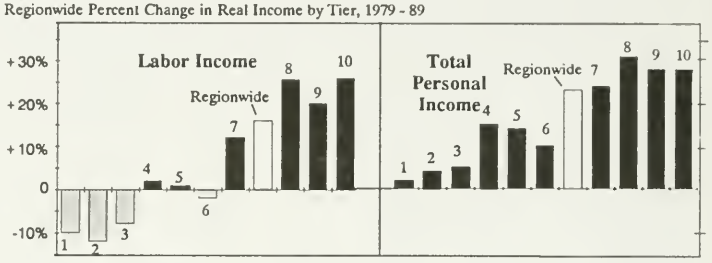
Trade Center	Changes in Services Labor Income in Millions of 1990 Dollars and Percent									
	Pacific NW		Rocky Mts		Upper Plains		Montana		Regionwide	
Tier 10	+$4,207	(+71%)	+$1,004	(+79%)	+$3,013	(+88%)	$0	(0%)	+$8,223	(+77%)
Tier 9	+$1,382	(+56%)	+$3,465	(+76%)	+$757	(+61%)	$0	(0%)	+$5,603	(+68%)
Tier 8	+$1,479	(+72%)	+$1,326	(+108%	+$581	(+71%)	$0	(0%)	+$3,385	(+83%)
Tier 7	+$622	(+43%)	+$447	(+65%)	+$982	(+76%)	+$104	(+37%)	+$2,154	(+58%)
Tier 6	+$632	(+42%)	+$161	(+30%)	+$317	(+57%)	+$150	(+44%)	+$1,259	(+43%)
Tier 5	+$262	(+38%)	-$11	(-8%)	+$407	(+49%)	+$157	(+45%)	+$814	(+40%)
Tier 4	+$142	(+32%)	+$272	(+43%)	+$373	(+42%)	+$11	(+56%)	+$799	(+40%)
Tier 3	+$138	(+35%)	+$246	(+50%)	+$201	(+28%)	+$76	(+33%)	+$662	(+36%)
Tier 2	+$31	(+26%)	+$126	(+49%)	+$48	(+15%)	-$9	(-9%)	+$196	(+24%)
Tier 1	-$5	(-3%)	+$25	(+48%)	+$30	(+22%)	+$7	(+20%)	+$56	(+13%)
Total	+$19,657	(+65%)	+$7,061	(+72%)	+$6,708	(+65%)	+$496	(+37%)	+$33,922	(+66%)

Source: Bureau of Business and Economic Research, The University of Montana (using U.S. Dept. of Commerce data).

Subregional Trends

During the 1980s, real labor income in many rural areas declined by 10 percent and more, evidence of difficult economic times for agriculture and the region's other natural resource industries. Labor income gains of 25 percent typified the region's more metropolitan counties, resulting in greater gains in the overall personal income base of the more populated, more economically diverse counties.

Figure 25
Regionwide Percent Change in Real Income by Tier, 1979 - 89

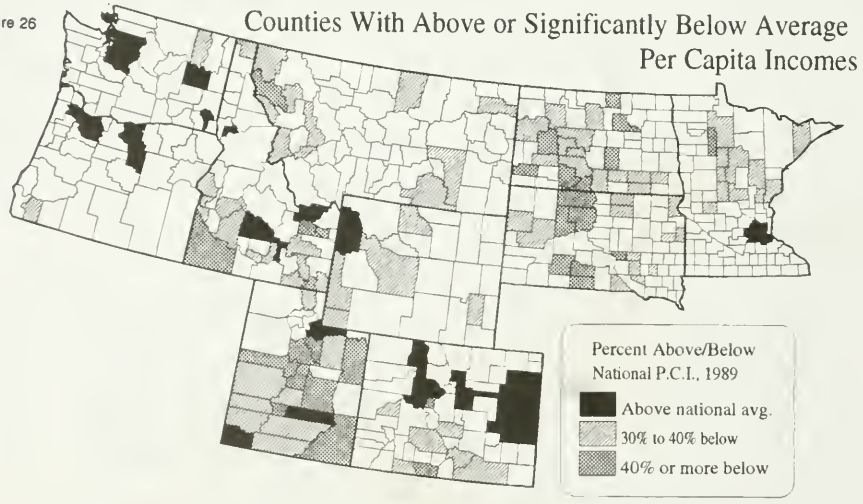


Source: Bureau of Business and Economic Research, The University of Montana (using U.S. Dept. of Commerce data).

The region's most affluent counties as measured by per capita income are in or nearby its largest cities or areas with noted recreation resorts (such as the Sun Valley area in Idaho, Jackson Hole area in Wyoming, and ski resort areas in Colorado and Utah). While a few very sparsely-populated ranching and farming counties are relatively affluent, the region's poorest counties are concentrated in rural ag-dependent counties of the Plains and in rural, resource industry dependent counties of the Rockies.

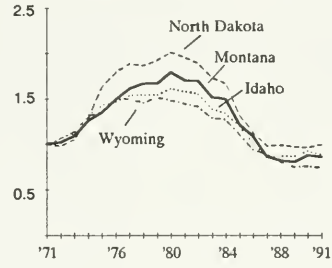
Per capita income is 30 percent or more below the national average in eleven of Montana's counties. Five of these counties have Indian reservations (Big Horn, Blaine, Lake, Roosevelt, and Rosebud Counties). Five of the other six, including the state's three poorest counties, are rural counties heavily dependent upon logging and the wood products industry (Sanders, Mineral, Lincoln, Ravalli, and Powell Counties). The other is Deer Lodge County.

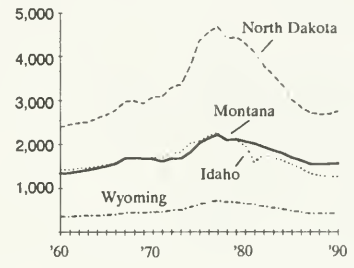
Figure 26


Counties With Above or Significantly Below Average Per Capita Incomes
Percent Above/Below National P.C.I., 1989
Above national avg.
30% to 40% below
40% or more below

Source: Bureau of Business and Economic Research, The University of Montana (using U.S. Dept. of Commerce data).

Figures 1 & 2





Agriculture

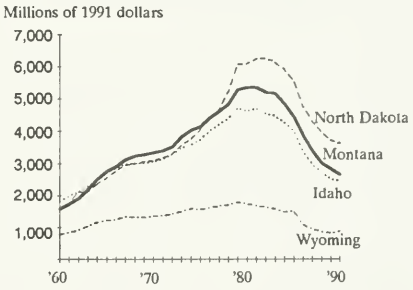
by Myles Watts

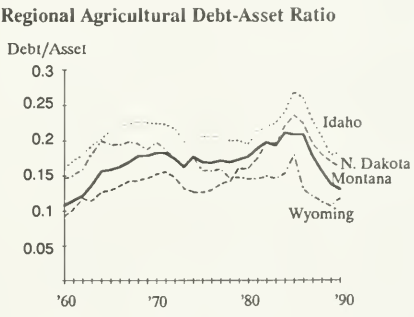
Four indicators of the strength of regional agricultural economies are land prices, machinery investment, debt level, and debt-to-asset ratios. Land values grew rapidly from 1960, reached a peak in 1980 (1979 in Wyoming), and then rapidly declined. Currently, land prices are below 1960 levels in Idaho, Montana, and Wyoming and they approximate 1960 levels in North Dakota. Recently, land prices have been stagnant in all four states. However, smaller geographic regions within states have grown substantially.

Machinery investment, which indicates the optimism/pessimism of farmers, increased in all states until 1977 and then declined through 1986. This 10 year decline averaged about 4.5 to 5 percent annually in Idaho, North Dakota and Wyoming, and implied that little replacement was occurring. Montana machinery investment declined 3 percent per year over the same period, indicating severely depressed machinery purchases. During the last four years, machinery replacement has been about equal to depreciation so the level of machinery investment is being maintained.

Farm debt followed similar trends; it expanded from 1960 to 1980. By December 31, 1990, farm debt had declined by 42 to 51 percent from its peak in the four states. Such large declines in debt are unusual, particularly for a sector where a high proportion of inputs are durable. Debt-to-asset ratio is 18 percent in Idaho, 13 percent in Montana, 16 percent in North Dakota, and 12 percent in Wyoming.

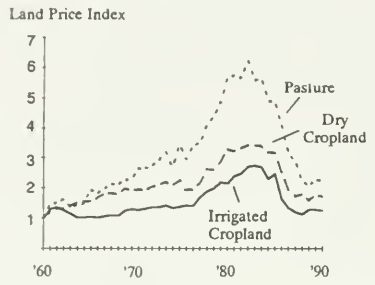
Figures 3 & 4



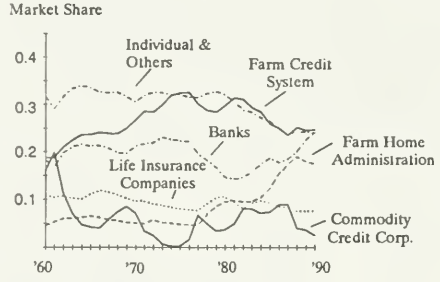


Figures 5, 6 & 7

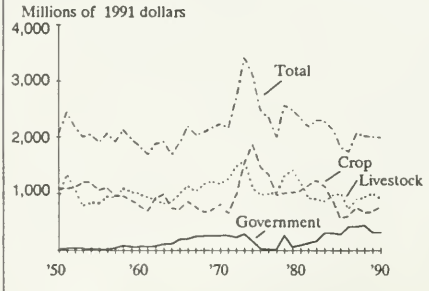
Montana Land Price Indices
(1950 = 100)



Agricultural Lenders Market Share



Montana Agricultural Cash Receipts



Montana Agricultural Economy

Although the degree is much different, irrigated, dryland crop, and pasture lands in Montana followed the same general upswing and then downturn. Grazing land is at 36 percent of its peak value, dryland crop land at 50 percent, and irrigated land at 45 percent. Overall since 1950, grazing land has increased in value 120 percent, dryland crop land 72 percent, and irrigated land 25 percent.

Agricultural lenders' market share has varied throughout the last 30 years (Figure 6). The Farm Credit Systems' share grew rapidly during the '60s, maintained about 30 percent of the market throughout the '70s and early '80s, and declined during the late '80s. Debt trends generally followed land prices, so when land prices declined, the Farm Credit System lost collateral value, which led to its well-publicized problems of the mid-'80s. Beginning in the early '70s, but particularly during the difficult early '80s, Farmers Home Administration market share rose rapidly--in fact tripling its share of Montana's farm debt between 1976 and 1986. Although individuals and others have financed a significant portion of Montana's farm debt, their market share declined precipitously during the '80s. By contrast, banks' market share has increased in recent years and approximately offsets the decline by individuals and others. Life insurance companies and the Commodity Credit Corporation are smaller but still significant lenders.

While volatile, Montana's agricultural cash receipts have shown no long-term upward or downward trend over the last 40 years. During the last 40 years, government payments -- most of which are associated with cropping -- have risen from less than 1 percent of total agricultural receipts to nearly 16 percent. Relative to total crop receipts government payments reached a peak of 41 percent in 1986, and dropped to 29 percent in 1990.

Forecasts

Cattle, wheat, and barley generate over 80 percent of Montana's agricultural market cash receipts. Cattle prices will soften over the next few years as cattle numbers grow. Demand for beef likely will weaken a modest amount as the population continues to age (older people eat less beef than younger adults). Grain prices are heavily dependent upon international markets. Declining stocks and a weak dollar should influence grain prices positively. The upward movement in grain prices should more than offset softening livestock prices, resulting in a modest growth in cash receipts above the rate of inflation. A similar upward trend in land prices may be expected if the inflation-adjusted interest rate remains low.

Health Care

by Rudyard Goode

Montana's health service industry continued its long-term growth pattern through 1990; employment increased nearly 3 percent over 1989. Nationwide health industry growth for the same period approached 4 percent.

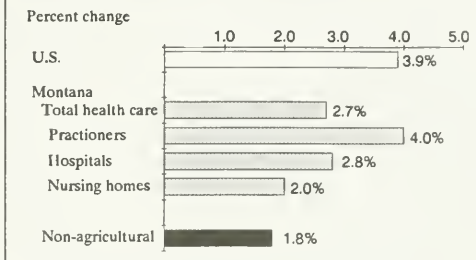
Each of Montana's major industry segments shared in gains, practitioners' office employment rose about 4 percent; hospitals a little less than 3 percent, and nursing homes just over 2 percent.

Hospital and practitoner activity is concentrated in the three trade centers. Nursing homes are more dispersed.

U.S. spending for health care keeps on growing at rates well above inflation. 1990 was the third consecutive year for double-digit increases in spending. The 1990 health care bill totaled about $670 billion -- $2,600 for every man, woman, and child in the country. Health care expenditures accounted for more than 12 percent of GNP.

Figure 1

1990 Health Care Employment Gains

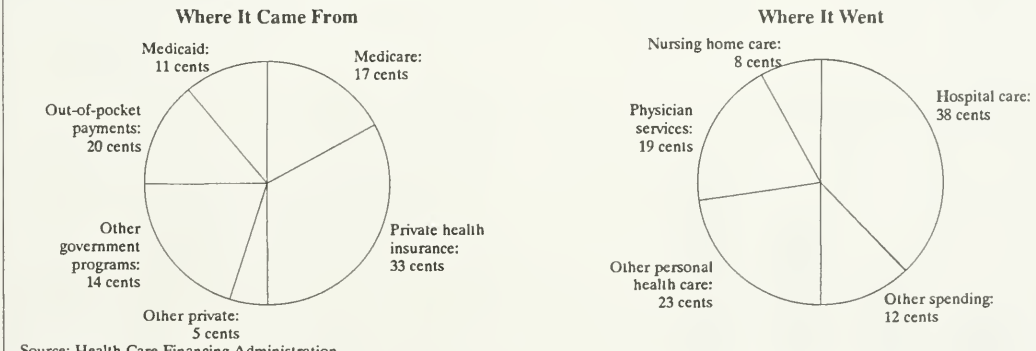


Source: Research & Analysis Bureau, Montana Department of Labor & Industry.

Government programs pay for just over 40 percent of U.S. health care. Private insurers pay for a third and the rest -- about a quarter of the total -- is paid by individuals. In Canada there is a single payor, the provincial government.

Figure 2

The Nation's Health Dollar: 1990


Where It Came From
Medicaid: 11 cents
Medicare: 17 cents
Out-of-pocket payments: 20 cents
Other government programs: 14 cents
Private health insurance: 33 cents
Other private: 5 cents
Where It Went
Nursing home care: 8 cents
Hospital care: 38 cents
Physician services: 19 cents
Other personal health care: 23 cents
Other spending: 12 cents

Source: Health Care Financing Administration.

Travel and Tourism

by Steve McCool

Early in 1991, the nation's travel and tourism industry was hit with a triple peril: recession, war, and the threat of terrorism. Nationally, intercity auto travel was flat and domestic air travel was down about 3 percent. For many regions of the United States, the travel and tourism industry had a difficult year.

In contrast to the 1981-82 recession, Montana's travel and tourism industry somehow escaped the negative impacts of 1991's national and international events. Non-resident skier visits continued to climb in 1991 despite a weak beginning caused by poor weather during the 1990 holiday season. Non-resident highway visitors increased about 2 percent while air travel to Montana increased about 4 percent. Visits to Montana's national parks reached all time highs; Yellowstone recorded nearly 3 million visits, Glacier more than 2 million visits.

The state's accommodation tax revenue is another key indicator of travel trends. Revenue increased 10 percent or more on a year to year basis for each of the first three quarters of 1991.

Non-resident spending also increased. Preliminary estimates suggest total non-resident spending in Montana during 1991 will reach about $815 million, an increased of 7 percent over 1990.

Montana's tourism and recreation industry did not follow national trends because its principal markets--the upper Midwest, the Northwest and California did not suffer in the recession as much as other regions of the nation. Montana also may have benefitted from an estimated 10 percent decline in United States citizen departures for overseas, a stronger Canadian dollar, and the new Goods and Services Tax in Canada.

Projections suggest continued softness in the tourism and recreation industry nationwide; lingering effects of the 1991 recession and low consumer sentiment may lead to only marginal growth in 1992. Montana's 1992 performance likely will depend on strength in regional and Canadian economies, consumer optimism in our principal markets, and effectiveness of statewide promotional efforts. The quality of our product also will be a factor.

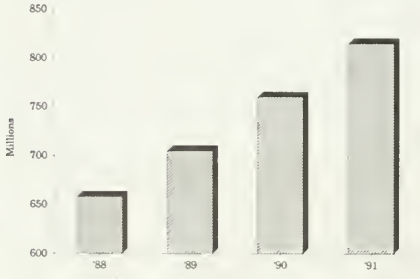
Number of Visitors Entering by Highway

Excludes long-haul, over the road truck traffic and other commercial and military transport. Sources: Montana Department of Transportation and Institute for Tourism and Recreation Research

Non-resident Skier Visits

Sources: USDA Forest Service and Institute for Tourism and Recreation Research

Estimated Non-resident Expenditures



Source: Institute for Tourism and Recreation Research

National Park Visits

Source: National Park Service

The Forest Products Industry in the Pacific Northwest Region

by Charles E. Keegan III

During the late 1980s, nearly 15 percent of the world's softwood sawtimber harvest came from the Pacific Northwest Region; it produced nearly half the softwood lumber consumed in the United States.

During the late 1980s, this region's primary wood and paper products produced an average annual sales value of about $28 billion. Pulp and paper products and lumber accounted for more than 80 percent of the annual sales.

Of this total about 40 percent originated in British Columbia. Oregon and Washington generated about 23 and 25 percent respectively, while Alberta, Idaho, and Montana contributed a total of 12 percent.

In British Columbia, Idaho, Montana, and Oregon, lumber manufacturing is the major component. Pulp and paper constitutes the major industry in Alberta and Washington.

A high percentage of Washington's sales -- 18 percent -- were log exports. Virtually no logs were exported from Alberta and Montana.

The major market for each province and state is the United States. However, Canadian manufacturers sell considerably more of their products in overseas markets than do U.S. producers.

In the Pacific Northwest Region, the forest products industry directly employs more than 300,000 workers who earn a total of about $8 billion annually.

Based on percentage of income to workers, Interior British Columbia has the highest concentrations in Canada. Northern Idaho, western Montana, and south western and south central Oregon have the highest concentrations in the United States.

Subregional Distribution of the Wood and Paper Products Industry

Outlook

The recession impacts on markets and production should not be as extreme or lengthy as the 1982 recession, but the recovery is not expected to be as robust in terms of increased building activity and consumption of wood products.

Supply curtailments, especially in the western United States but also in British Columbia and eastern Canada, lead analysts to project substantially higher real prices for wood products.

Table 1

Sales Value by Industry Sector, Primary Forest Products Industry

Representative Year, 1987 - 89

Millions of U.S. dollars

Sectors	Alberta	British Columbia	Idaho	Montana	Oregon	Washington	Total
Lumber	$270	$4,899	$610	$441	$2,566	$1,227	$10,013
	26%	*44%*	*52%*	*44%*	*40%*	*17%*	*36%*
Plywood and other structural panels	$240	$338	$100	$135	$1,100	$260	$2,173
	23%	*3%*	*9%*	*14%*	*17%*	*4%*	*8%*
Pulp, paper, and other residue-related products	$512	$4,856	$420	$375	$2,300	$4,200	$12.663
	50%	*44%*	*36%*	38%	*36%*	*60%*	*46%*
Log exports	$0	$676	$5	$0	$350	$1,300	$2,331
	[a]	*6%*	[a]	[a]	*6%*	*18%*	*8%*
Other products	$6	$338	$40	$42	$40	$50	$516
	1%	*3%*	*3%*	*4%*	*1%*	*1%*	*2%*
Total	$1,028	$11,107	$1,175	$993	$6,356	$7,037	$27,696
	100%	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*

Note: [a]Less than 0.5 percent.

Table 2

Employment and Timber Harvest, Wood and Paper Products Industry

Representative Year, 1987 - 89

	Alberta	British Columbia	Idaho	Montana	Oregon	Washington	Total
Employment							
Wage, salary and self-employed	[a]	[a]	20,100	11,700	89,000	67,000	[a]
Wage and salary only	10,000	100,000	16,200	9,500	79,600	60,000	275,300
Timber harvest, MMBF Scribner	1,400	14,100	1,850	1,270	8,180	6,800	33,600
Employment per MMBF of timber harvested							
Wage, salary, and self-employed	[a]	[a]	10.86	9.21	10.88	9.85	[a]
Wage and salary only	7.14	7.09	8.76	7.48	9.73	8.82	8.19

Note: [a]Comparable figures unavailable.

Assuming analysts are correct, my projected outlook for 1992-1995 relative to pre-recession operating levels is as follows:

Alberta -- has uncommitted timber resources, new mills under construction; should see substantial increases in sales and employment.

British Columbia -- timber resource close to fully committed in the late 1980s; environmental constraints and physical resource constraints indicate lower production in the 1990s (some analysts project as much as a 15 percent decline).

All four northwest states face the same pattern of constrained supply due to:

1) Lower volumes available from the national forests because of environmental/legal/administrative constraints and

2) Lower volumes available from industrial private lands because the timber resource can not sustain recent harvest levels.

Idaho -- least affected in next two to three years because volume under contract from national forests still relatively high; national forests indicate 1992-1995 sale offerings substantially below late 1980s harvest levels with potential large impact in mid-1990s.

Washington -- most difficult to project; least dependent on federal lands (only 18-20 percent of harvest) but much of that is in spotted owl habitat; heavy log export of private timber means more than 30 percent of timber processed comes from federal lands. Impact of sawtimber shortfall on pulp and paper industry difficult to predict; expect lower chip production in sawmilling if lumber prices rise dramatically, but alternative sources of supply (non- sawtimber logs, recycled paper, chips now being exported) can fill some of the gap.

Montana -- substantial declines in harvest from national forest lands appear certain from 1992-1995, with decline also from industrial lands. Expect 25 to 40 percent decline from late 1980s timber harvest levels.

Oregon -- largest decline because depends on federal lands for more than 50 percent of timber processed, much of it in spotted owl habitat; substantial declines also expected from industrial private lands -- harvest could fall to less than half of late 1980s levels.

Very high wood product prices could offset some of the negative impacts of reduced timber supply by expanding the timber available and perhaps making the industry more labor intensive.

Table 3

Destination of Softwood Lumber
Percent of Total Sales
Representative Year 1988 - 90

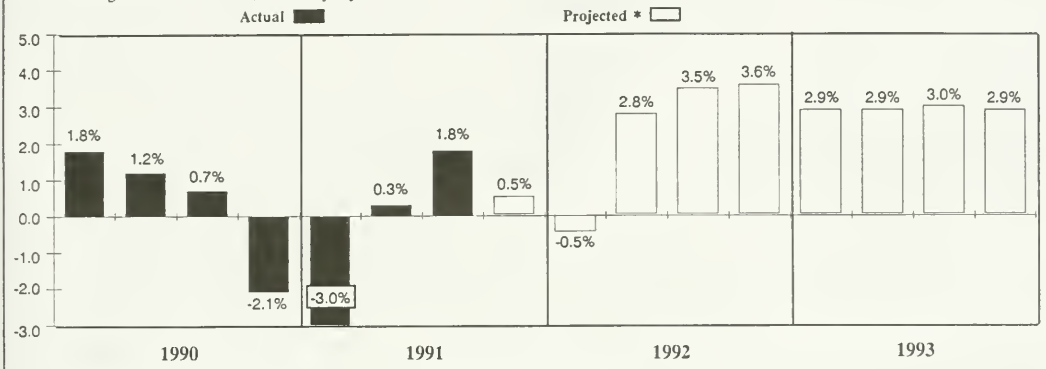
	Canada	U.S.	Other
Alberta	40%	55%	5%
British Columbia	30%	38%	33%
Interior	33%	58%	8%
Idaho	[a]	97%	2%
Montana	[a]	95%	3%
Oregon	[a]	90%	9%
Washington	[a]	84%	15%

Note: [a]Less than 2 percent.

Figure 1

Gross Domestic Product, United States, First Quarter 1990 - Fourth Quarter 1993, Actual & Projected

Percent change in constant dollars, seasonally adjusted at annual rate



Source: The WEFA Group; Bureau of Economic Analysis, U.S. Department of Commerce.

U.S. Economy

The U.S. economy decelerated during the first three quarters of 1990, then slid into recession during the last quarter of 1990 and first quarter of 1991. Even though the recession was short and mild, the recovery stalled in late 1991.

Slower than expected growth in 1991 was caused by:

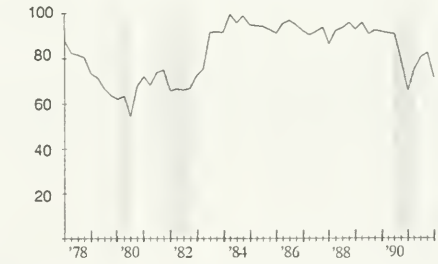
- slower employment growth
- depressed consumer sentiment
- slow durable goods purchases
- national defense spending cuts
- stagnant investment in nonresidential construction
- less spending by state and local governments

A moderate recovery is projected to begin in mid-1992 because:

- consumer confidence will rebound; recent record breaking plunges do not reflect fundamental weaknesses in the U.S. economy
- inflation remains low
- low interest rates will encourage investment by businesses and individuals
- low interest rates will weaken U.S. dollar and encourage exports
- consumer services will continue to grow

Figure 2

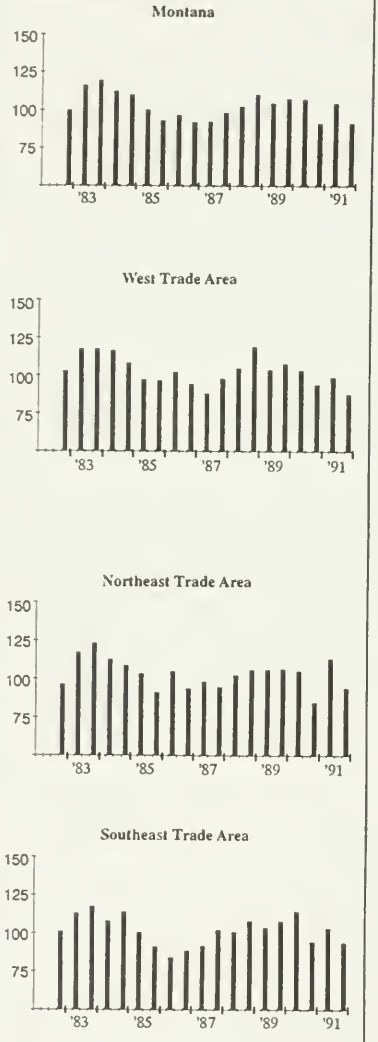
Index of Consumer Sentiment, United States, First Quarter 1978 - Fourth Quarter 1991



Source: Survey Research Center, University of Michigan.

Figures 3, 4, & 5

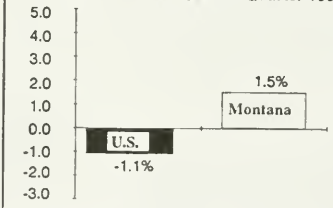
Index of Consumer Sentiment
November 1982 - December 1991



Source: Bureau of Business and Econoic Research, *Montana Poll,* The University of Montana.

Figure 6

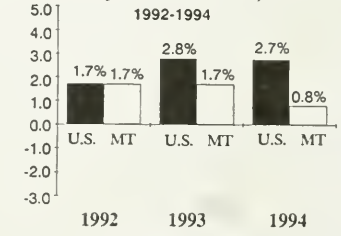
Nonfarm Labor Income, United States and Montana
(Percent Change in Constant Dollars)
SecondQuarter 1990 - Second Quarter 1991



Sources: Bureau of Economic Analysis, U.S. Department of Commerce.

Figure 7

Projected Nonfarm Labor Income, United States and Montana
(Percent Change in Constant Dollars)



Sources: The WEFA Group; Bureau of Economic Analysis, U.S. Department of Commerce; and Bureau of Business and Economic Research, *Economics Montana*, The University of Montana.

Montana Economy

As expected, the 1990 - 91 recession was milder in Montana than in the United States.

Paralleling U.S. trends, the Montana Index of Consumer Sentiment declined in late 1991. Consumer sentiment deteriorated in all regions of the state, even in those areas not usually affected by the business cycle.

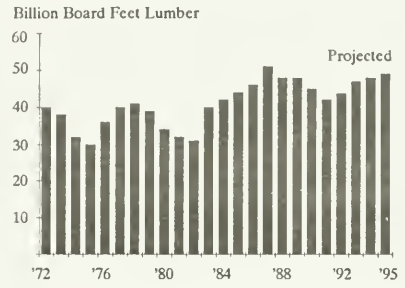
After the U.S. economy begins to recover, growth in Montana will once again lag behind the rest of the nation. Growth in Montana nonfarm labor income will decelerate in 1994 because of likely slowdowns in basic industries -- for example, wood and paper products.

Impact of the Recession on the Forest Products Industry

by Charles E. Keegan III

Figure 1

U.S. Softwood Lumber Consumption, 1972 - 95



The recession's impact on markets and production will not be as great as the previous two recessions, nor will the recovery be as robust. With the double dip recession of the early 1980s, consumption dropped 24 percent from the pre-recession peak in 1978. With the recovery, lumber consumption reached a record high of 50 billion board feet in 1987 (Figure 1).

In the current recession, it appears lumber consumption will fall only about 14 percent below the 1987 peak. But with a recovery in the national economy, annual lumber consumption in 1993-1995 probably will not surpass the 1987 peak.

Demand for lumber did not fall as far during this recession because:

- The traditionally volatile housing industry occupies a smaller portion of total consumption;
- The repair and remodel market has remained fairly strong in 1991;
- Overseas export markets for lumber were relatively strong in 1991.

Impact in Montana

Montana's wood products industry will be much less affected by the current recession than by the 1980-1982 recession which caused substantial declines in production, employment, and sales value (Figures 2 and 3). From the late 1970s to 1982, industry employment fell about 33 percent. By contrast, industry employment will drop only 5 to 10 percent in 1991 relative to the late 1980s. Also in 1982, on average more than half the larger mills were closed or curtailed throughout the year; in 1991 more than two-thirds operated at normal levels.

However in February, March, and April of 1991, the Champion facilities in Missoula and Lincoln counties closed temporarily. These and other curtailments affected 1,000 to 1,500 mill workers and probably 500 to 1,000 woods workers.

Figures 2 & 3

Industry Employment in Montana, 1978 - 1992

Sales Value of Wood and Paper Products Montana, 1969 - 92

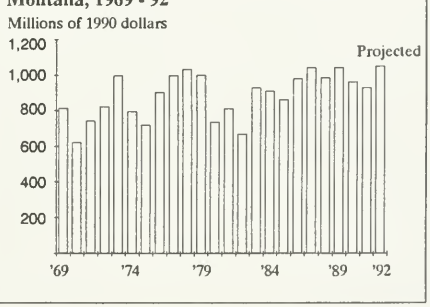
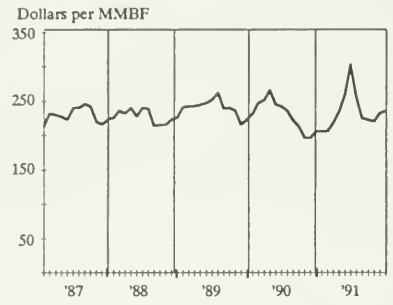
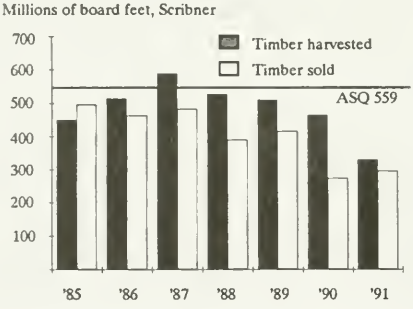


Figure 4 & 5

Lumber Prices
United States, 1987 - 91



Annual Timber Sale and Harvest Level
Montana's National Forests
FY 1985 - 1991



Outlook

The recovery will not dramatically increase U.S. lumber consumption, although due to supply curtailments in the Pacific Northwest especially, many analysts project substantially higher real prices for products (Figure 4).

Timber supply difficulties in Montana could lead to substantially lower production and employment even as markets improve in 1993-1995, however, dramatically higher prices for wood products could have positive impacts on employment.

Very high wood product prices could offset some of the negative impacts of reduced timber supply in Montana by expanding the timber available and perhaps making the industry more labor intensive.

Very high prices should:

- Encourage more non-industrial timberland owners to sell timber;
- Make some "below cost" timber areas above cost;
- Make new more socially and/or scientifically acceptable timber harvest systems "economically" feasible to implement.

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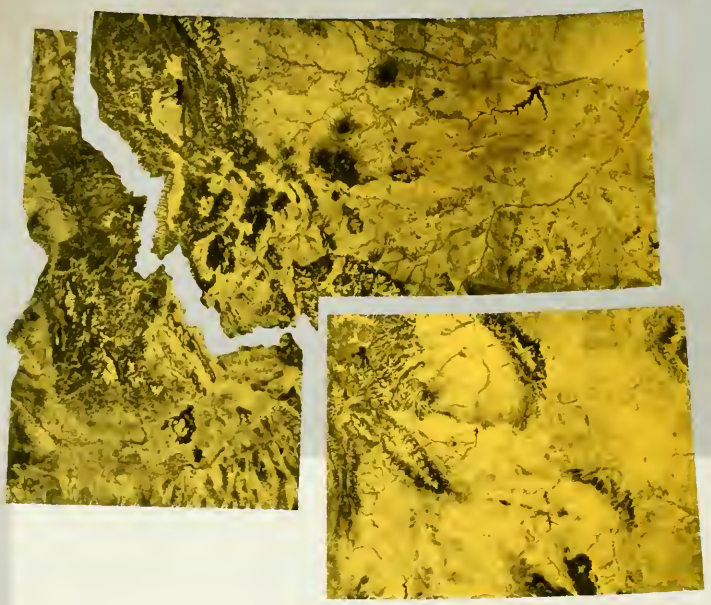

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